IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant(s):	William H. Barber et al.	Group Art No.:	3627
Serial No.:	09/578,631	Examiner:	Sheikh, Asfand M.
Filed:	25 May 2000	Conf. No.:	5757

For: DISK DISPENSING AND RETRIEVAL SYSTEM AND ASSOCIATED METHODS

MAIL STOP AMENDMENT
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

DECLARATION OF JENS HORSTMANN UNDER 37 CFR §1.132

Dear Sir:

I, Jens Horstmann, declare that:

1. I am Vice President and Chief Technology Officer of DVDPlay, Inc., of Campbell, California, which manufactures systems for dispensing optical storage media from a kiosk (hereinafter, "DVDPlay systems"), according to the disclosure and claims of U.S. patent application serial no. 09/578,631, filed on 25 May 2000 and entitled DISK DISPENSING AND RETRIEVAL SYSTEM AND ASSOCIATED METHODS (hereinafter, "the '631 application"). The '631 application claims priority of U.S. provisional patent application serial no. 60/135,854, filed 25 May 1999 ("the '854 provisional"), and U.S. provisional patent application serial no. 60/143,601, filed 13 July 1999 ("the '601 provisional").

2. The full right, title, and interests in and to the '631 application are accorded to DVDPlay, Inc. (formerly, FreeFlyr, Inc.), by way of assignments executed on November 4, 2002 and recorded by the USPTO Assignment Division on November 6, 2002, at reel/frame 013470/0746.

3. I am familiar with the official Office Action dated 26 February 2007 in the '631 application and I have reviewed the prior art references cited therein. I am for example familiar with the following U.S. Patents:

U.S. Pat. No. 5,159,560 issued to Newell et al. (hereinafter, "Newell");
U.S. Pat. No. 6,182,857, issued to Hamm et al. (hereinafter, "Hamm");
U.S. Pat. No. 5,934,439, issued to Kanoh et al. (hereinafter, "Kanoh");
U.S. Pat. No. 5,739,512, issued to Tognazzini (hereinafter, "Tognazzini");
U.S. Pat. No. 5,938,510, issued to Takahashi et al. (hereinafter, "Takahashi");
U.S. Pat. No. 4,872,154, issued to Sakagami et al. (hereinafter, "Sakagami");
U.S. Pat. No. 5,822,291, issued to Brindze et al. (hereinafter, "Brindze");
U.S. Pat. No. 5,900,608, issued to Iida (hereinafter, "Iida");
U.S. Pat. No. 5,459,306, issued to Stein et al. (hereinafter, "Stein");
U.S. Pat. No. 4,995,498, issued to Menke (hereinafter, "Menke");
U.S. Pat. No. 4,903,815, issued to Hirschfeld et al. (hereinafter, "Hirschfeld"); and
U.S. Pat. No. 5,971,273, issued to Vallaire (hereinafter, "Vallaire").

A. The Market

4. The DVD rental machine market is shared between DVDPlay, Inc., Redbox Automated Retail, LLC (hereinafter, "Redbox,"), The New Release™ (hereinafter, "TNR"), DVDXpress, and other smaller competitors. To date, DVDPlay, Inc. has deployed about 1,300 DVDPlay systems. Deployment of DVD rental machines by competitors of DVDPlay, Inc. is estimated as follows: Redbox has deployed about 4,200 DVD rental machines, TNR has deployed about 2,000 DVD rental machines, DVDXpress has deployed about 350 rental machines and the other, smaller competitors, combined, have deployed about 300 machines. The DVD rental machine market is expected to net up to $1 billion in the next few years. See, e.g., "Automated for the People," Exhibit A, pp. A1-A8.

B. Commercial Success of DVDPlay Systems

5. The DVDPlay systems have enjoyed considerable commercial success in the DVD rental kiosk market. DVDPlay, Inc., sold about 20 DVDPlay systems to DVDXpress (a franchise operator) in January of 2002. Throughout 2002 and 2003, additional DVDPlay systems were offered to franchisees and tested throughout the U.S., including New York, North Carolina, Texas and California. See, e.g., Exhibit B articles at pp. B3-B10.

In September-December of 2003, Redbox (then a division of McDonald's) entered into agreements with DVDPlay, Inc., and tested about 20 DVDPlay systems in McDonald's restaurants in Washington, D.C. and Las Vegas, Nevada. See, e.g., Exhibit B, pp. B13-B15. The DVDPlay systems were met with an "incredibly positive" response. Exhibit B, p. B17, penultimate ¶. In May-July of 2004 (under terms of a further agreement signed by DVDPlay, Inc. and Redbox in April of 2004), Redbox launched DVDPlay systems in 104 McDonald's locations throughout Denver, Colorado. See, e.g., reference at Exhibit B, p. B23, ¶2. DVDPlay, Inc. began shipping DVDPlay systems to U.S. military bases through operator Tejas Videos, Inc., in July of 2004. By this date, DVDPlay, Inc. had installed over 500 DVDPlay systems in 33 states and in Canada. See Exhibit B pp. B24-B25. Revenue from the DVDPlay systems was about $4 million in 2004.

DVDPlay, Inc. experienced 200% growth in movie rentals in 2005, as compared to a 14% growth rate of the overall DVD rental market. By January 17 of 2006, more than 4 million movies had been rented from the DVDPlay systems. See Exhibit B, p. B26. Less than six moths later, by June 28, 2006, 5 million movies had been rented from the DVDPlay systems. See Exhibit B, p. B30. During the summer of 2006, DVDPlay, Inc. raised more than $20 million in new financing. See Exhibit B, pp. B28-B29.

By March of 2007, Genuardi's markets installed DVDPlay systems in Philadelphia-area stores and Dominick's had installed DVDPlay systems in about half of its 83 Chicago-area stores. See Exhibit B, pp. B31-B33. By May of 2007, DVDPlay, Inc. had deployed about 1,200 DVDPlay systems throughout U.S. grocery stores, including Safeway and affiliates Albertson's and Kroegers. See Exhibit B, pp. B35-36. It is projected that 2,250 DVDPlay systems will be installed throughout the U.S. and Canada by the end of 2007. See Exhibit B, pp. B37-B38.

DVDPlay, Inc. currently holds 16-20% of the movie rental kiosk market, which is expected to net about $120 million or more, in 2007. DVDPlay, Inc.'s revenue for 2007 is expected to be about $18 million. DVDPlay, Inc.'s commercial success has been noted by competitors, including indirect competitors such as Netflix, which referenced DVDPlay, Inc.'s positive growth rate in its second quarter, 2007 earnings call. See Exhibit B, p. B48.

6. DVDPlay, Inc.'s systems have been selected over competitive movie vending kiosks by companies such as Safeway and its Alliance Partners Stores; Automated Media Systems, Inc.; Capitol DVD; DVD 123, LLC; DVDDirect, LLC; DVDPartners, Inc.; DVDXpress (Video Vending NY, Inc.); Lantec Invenstment Group, LLC; OnLocation Media Group, Inc.; ThePlayGroup, L.P.; Speedy DVD, LLC; SunStar Communications, Inc.; Tejas Videos, LLC.; TxVend Management LLC; Vendflix, LLC; Video II, and Woodland AEM, LLC, in addition to those mentioned in number 5, above. In addition, individuals and small entities (i.e., franchisees) have, in some cases, waited up to a year and a half for a DVDPlay system, despite availability of machines provided by the competitors listed in number 4, above.

7. The success of the DVDPlay systems is directly tied to claimed features, in particular, the claimed combinations of features, in the '631 application.

a) For example, as in claim 1 of the '631 application, each DVDPlay system includes a kiosk with a first central processing unit ("kiosk CPU"), a kiosk interface and a database including kiosk inventory information. The database is accessible by a user via the kiosk interface and via the Internet. See, e.g., Exhibit B, pp. B6, ¶2 and B24-B25; Exhibit C, p. C13. The kiosk CPU requests to a user request (via Internet or the kiosk interface) to identify inventory in the kiosk. See Exhibit C, pp. C1-C4; C11-C17; The kiosk CPU also requests and receives billing information, including a user-specified e-mail address, from a user. See Exhibit B, p. B8, ¶2; Exhibit C pp. C6-C7. The kiosk CPU likewise receives a request for optical storage media from the user. See Exhibit C, p. C4-C5, particularly, movie cart icon and screen. The request and billing information are transmitted to a system server, which performs credit verification on the billing information and transmits confirmation to the kiosk CPU if the credit account is verified. See, e.g., Exhibit B, p. B11, especially ¶7 noting intelligent backend that communicates with kiosk and manages credit transactions. The kiosk CPU dispenses the requested optical storage media to the user, and the server transmits an electronic receipt for the transaction to the user-specified e-mail address. See Exhibit C screen shots, pp. C1-C10; see pp. C11-C17, printed from DVDPlay, Inc.'s website, for exemplary Internet access and requests. See also Exhibit B, p. B1 for additional server details.

b) As in claim 43 of the '631 application, the DVDPlay system operates according to a method for dispensing optical storage media from a kiosk that is remote from, and communicatively connected to, a system server. See, e.g., Exhibit B, pp. B1, ¶2 and final ¶; B11, especially ¶7 noting intelligent backend that communicates with kiosk and manages credit transactions. A user is provided with information representative of kiosk inventory. This information is accessible at the kiosk and over the Internet. See, e.g., Exhibit C, screen shot at p. C2 (kiosk) and p. C12 (Internet). Billing information, including a user-specified e-mail address, is requested from the user and received at the kiosk. See Exhibit B, p. B8, ¶2; Exhibit C, pp. C6-C7. A request for an optical storage media is received from a user at the kiosk. See Exhibit C, p. C4-C5, particularly, movie cart icon and screen. The billing information is transmitted to the server for confirmation, and a credit verification routine is performed on a credit account in the billing information, with the system server. See, e.g., Exhibit B, p. B11, especially ¶7 noting intelligent backend that communicates with kiosk and manages credit transactions. Confirmation is transmitted from the server to the kiosk responsive to a verification of credit account, and an electronic receipt is transmitted to the e-mail address in the billing information. See Exhibit C screen shots, pp. C1-C10. Confirmation of billing from the server is received in the kiosk, and the requested optical storage media is dispensed to the user. See, e.g., Exhibit C, pp. C8-C9.

8. In my role as Vice President and Chief Technology Officer of DVDPlay, Inc., I have overseen marketing research in the United States and abroad, concerning systems for dispensing optical storage media from a kiosk. This research has included visiting and/or contacting marketing officials of retail establishments including (but not limited to) Alliance Partner Stores; Blackhawk Marketing, LLC; McDonald's Ventures, LLC (a wholly owned subsidiary of McDonald's Corporation), Coinstar, Inc. and Redbox (a joint venture between Coinstar and McDonald's Ventures, LLC). Prior to my visits and/or contacts, none of these merchants had ever installed, or heard of, any type of system for dispensing optical storage media from a kiosk that included the claimed combination of the '631 Application.

In addition, several competitors have approached DVDPlay, Inc. proposing investment in exchange for DVDPlay, Inc.'s proprietary information. For example, representatives from the Italian company HEN srl - Kinetics Technology visited DVDPlay, Inc. in the spring of 2004. Also in the spring of 2004, Paulo Consiglio of Riello Technoware, Italy, met with DVDPlay to discuss investment in DVDPlay, Inc. and/or licensing of technology pertinent to the DVDPlay systems. TNR met with DVDPlay, Inc. and indicated a desire to license the DVDPlay system in the spring of 2006. ELO Media of New Jersey discussed structuring a deal with DVDPlay, Inc. at least once, during informal meetings at trade shows.

C. Copying By Others

9. In August of 2003, Redbox visited DVDPlay, Inc., then in Los Gatos, California, after several attempts to break into the movie vending kiosk market with machines by companies such as TikTok and YAF. In September of 2003, Redbox signed a test agreement with DVDPlay, Inc. for 10 of the DVDPlay systems in Washington, DC. See number 5, ¶2, above.

10. In October of 2003, after successful testing in Washington, DC, Redbox engaged in contract negotiations with DVDPlay, Inc. for a higher capacity machine (A350). In April of 2004 Redbox and DVDPlay, Inc. signed a contract (won over prior vendor YAF), and DVDPlay, Inc. was paid for development and intellectual property contributions. In July of 2004, Redbox launched 177 DVDPlay systems in 104 locations throughout Denver, Colorado. Following this test, Redbox directed DVDPlay, Inc. to build another version of the DVDPlay system, incorporating the features claimed in the '631 Application.

11. In September of 2004, McDonald's Ventures, LLC suggested a merger of DVDPlay, Inc. and Redbox; DVDPlay, Inc. and McDonalds began negotiations. At this time, DVDPlay, Inc. was also discussing agreements with or acquisition by companies such as Blockbuster, Inc. and Hollywood Entertainment Corporation. DVDPlay, Inc. later discovered that Redbox and/or McDonald's Ventures, LLC had also engaged Solectron to build a movie vending kiosk. I believe that the arrangement with Solectron resulted from McDonald's Ventures, LLC's concerns over potential competitive agreements with Blockbuster, Inc. or Hollywood Entertainment Corporation.

12. In January of 2005, merger documents were finalized and ready for signature. Outside investors U.S. Venture Partners and GRP submitted a $30 million term sheet for the new (merged) company. See redacted e-mail referencing term sheet at Exhibit D, pp. D1 and (particularly) D2. However, on January 28, 2005, McDonald's called off the merger deal. See redacted e-mail from McDonald's Corporation, Exhibit D, pp. D3-D5. This was followed by an official letter on January 31, 2005.

13. In the spring of 2005, Redbox/McDonald's deployed the first Solectron machines in Houston. DVDPlay, Inc. photographed these machines and found similarities between the DVDPlay systems, as claimed, and the Solectron machines. DVDPlay, Inc. believes that Solectron copied claimed features of the DVDPlay systems (which were in the posession of Redbox/

McDonald's), such as the combinations of the '631 application. See, e.g., Exhibit D comparison of flow and screen shots between the DVDPlay systems and the Solectron machine, pp. D6-D15.

14. Copying was of such concern that the terms of a November 17, 2005 LLC Interest Purchase Agreement between Coinstar, Inc., Redbox and McDonald's Ventures, LLC included a clause indemnifying Coinstar against any and all losses arising out of a breach of Redbox/McDonald's (referred to as "Ventures") representation and warranty that Redbox IP did not infringe or constitute misappropriation of any claim of any DVDPlay patent issued on or granted from the '631 Application. See Exhibit D copy of FORM 8-K S.E.C. report by Coinstar, Inc. See especially Representations and Warranties at pp. D39 (item (c)) and D40 (item (d)), Indemnification at p. D55.

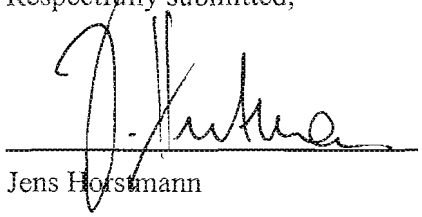
D. Commercial Success of Others Due to Copying DVDPlay Systems

15. Redbox is the largest supplier within the DVD rental kiosk market. See number 4, above. DVDPlay, Inc. believes that Redbox copied claimed features of the DVDPlay systems after purchasing and experimenting with the DVDPlay systems (see "Copying by Others, above). In particular, DVDPlay, Inc. believes that Redbox copied the combination of claims 1 and 43. Prior to DVDPlay, Inc.'s '631 application, this combination was not known (note, for example, that the Examiner of the '631 application does not find this combination in any of 12 references currently cited against the '631 application in accordance with 35 U.S.C. §103).

16. After the filing of the '631 application, the DVD kiosk rental market experienced explosive growth, as evidenced by DVDPlay, Inc.'s own commercial success and the commercial success of competitors such as Redbox. See Exhibits A and B and Exhibit E, which provides several articles evidencing commercial success of Redbox. Also after the filing of the '631 application, the vast majority of machines in the kiosk rental market utilize the combination of features claimed in the '631 application. These factors evidence a direct nexus not only between the claims of the '631 application and commercial success of DVDPlay, Inc., but also between the claims of the '631 application and the increased commercial success of the DVD kiosk rental market, since the filing of the '631 application.

I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that the statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the Application or any patent issued thereon.

Respectfully submitted,



Jens Horstmann

Aug 26th, 2007

Date

EXHIBIT A

TO THE
§1.132 DECLARATION OF JENS HORSTMANN

U.S. Serial No. 09/578,631

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By Susanne Ault

Catching on, DVD rental kiosks could capture $1 billion in the next few years

After years of failed attempts, DVD rental kiosks are now flourishing in the U.S. Providers of these machines estimate that within the next couple of years, this business could equal 10% to 15% of the entire rental industry, or more than $1 billion.

Europe, with its land space constraints, has enjoyed an established kiosk market for years.

But the U.S. is finally starting to catch up as restaurants and grocery stores seek new profit streams from DVD. Also, customers increasingly want to multi-task, renting movies while buying a hamburger or gallon of milk, instead of making an extra stop at a traditional video store.

"I think it's a combination of things that is all working in our favor at the same

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time," says Greg Waring, VP of marketing at dominant kiosk company Redbox, which is co-owned by McDonald's and **Coinstar**. "There is growing customer comfort with automated technology in general. About 65% of airline customers check in at terminal kiosks. And it's an unbeatable price point."

Redbox, The New Release (TNR) and **DVDPlay** are all in the middle of impressive growth spurts. These firms charge $1 to $1.50 per night for new release DVD rentals, which is half the cost of per night pricing at many video stores.

Now at 1,300 U.S. spots, Redbox will expand this year into two additional McDonald's markets, Seattle and Oklahoma City, and has set a goal of 20,000 restaurant and grocer locations worldwide in the next five years.

Currently nearing 1,000 locations, TNR expects to push into Kroger's supermarkets nationwide, with plans to reach 3,000 total spots by 2007.

DVDPlay machines number 500 and will roll into 1,600 Safeway grocery stores by the middle of 2007.

Even Movie Gallery has dabbled in the business, testing 25 Hollywood Video Express kiosks in supermarkets. Though chairman and CEO Joe Malugen said during a recent conference **call** with financial analysts that the video chain has no plans to expand the test yet, he indicated the company is "optimistic" about its prospects.

"I think the rental market is going to be very strong in the future," TNR founder and president John Osborne says. "As these new models emerge, we'll be a key driver of the rental market."

With their machines' armor-like infrastructure, TNR and other kiosk providers help to eliminate inventory theft.

These machines are replacing grocers' traditional DVD sections, which have been limited because of theft concerns and personnel costs.

"At grocery, DVDs are the biggest things that are targeted [for theft]," Osborne says. "So any idea that comes along will be welcomed."

Kiosk companies generally shoulder the expenses of installing and supervising machines, which can cost around $10,000 to build, against a revenue-sharing agreement with the host retailer. DVD rental machine companies additionally will pay retailers for the use of their floor space.

Grocers are growing fond of kiosks because their stores typically earn double-digit profits on kiosk transactions while giving up as little as five square feet of valuable store real estate. Most food products, to which grocers must grant the largest display area, generate single-digit profits.

Restaurants also appreciate the hike in store traffic.

Redbox studies show that introducing a machine at a McDonald's tends to beef up that outlet's food revenue, as customers look for entertainment at night, typically the chain's weakest part of the day.

"We are bringing customers into these locations who wouldn't have otherwise visited," says Redbox's Waring. "With grocery, they can convert [former DVD section space] to support some other merchandise."

Redbox recently surpassed 17 million rentals across its machine network and is proving to be a formidable DVD competitor. When it moves into any given McDonald's market, Redbox usually equips enough restaurants with machines to become that city's most prevalent disc rental service. In Houston, Redbox machines are in 180 McDonald's locations, which is far more

outlets than Blockbuster has in the same area.

Redbox rivals TNR and **DVDPlay** believe there is plenty of room for more than one rental machine company.

DVDPlay is already eyeing expansion opportunities at rival fast food companies, because Redbox is unlikely to press into outlets competitive with McDonald's.

"There are places that Redbox can't go," **DVDPlay** CEO Chuck Buerger says. "Also for retailers, we offer a 26-inch flat screen on top of each unit that stores can use to advertise [offerings]."

Similarly, TNR is banking on its own distinguishing characteristic, offering relatively more title selection at each machine, to drive business.

TNR stocks 200 to 250 DVD titles, including catalog films, at each location. Redbox and **DVDPlay** offer just the top new release DVD titles, 50 and 35, respectively, at each kiosk.

However, Redbox is increasingly localizing its content offerings, with Mexican cinema making up a big part of the Houston market inventory, for example.

Although rental makes up kiosk companies' core trade, sell-through operations are quickly getting implemented. Redbox has yet to permanently commit to sell-through at all its locations but recently sold Buena Vista Home Entertainment's Lady and the Tramp and The Chronicles of Narnia: The Lion, the Witch and the Wardrobe at a number of McDonald's kiosks.

"We can tailor the inventory right down to the machine level," says Waring. "And we can make sure we satisfy consumer tastes at every one of the machines."

Extra coin in e-cards

Susanne Ault

Coinstar, best known for its coin-counting kiosks at 12,000 drug, grocery and bank outlets, wants to show retailers it doesn't just bring in small change. The company is in the middle of a major campaign to convince retailers to beef up their ancillary front-of-store offerings, including electronic gift cards sold on racks near check-out and activated with **Coinstar** technology.

At a grocery location, **Coinstar** says a coin converter can generate an extra $1,500 to $1,800 in annual net income per store; toy/candy vending, $1,000 to $3,000; and e-payment cards $1,500 to $3,700.

However, **Coinstar** won't install its machines, which also include Redbox DVD kiosks co-owned with McDonald's, unless it has been guaranteed adequate store space and foot traffic. Retailers of any size, however, can carry **Coinstar**'s pre-paid gift card selection.

Wireless airtime and branded retail gift cards are among the offered items, which can be displayed on a rack near check-out. Retail brands include Starbucks, iTunes, Amazon.com and Eddie Bauer. **Coinstar** also offers cards worth wireless airtime with such carriers as Cingular, T-Mobile and Verizon. **Coinstar** technology is responsible for activating the cards once customers buy them.

Launched by **Coinstar** two years ago, these e-payment services are currently found in 20,000 retail locations.

"E-payment can really live in any space," says Gretchen Marks, **Coinstar** VP of marketing. "There would be revenue-sharing with the retailer."

These card services, which also can be bundled with an advanced **Coinstar** coin-counting kiosk, are proving to be popular.

"I would definitely say that gift cards are

very hot right now," Marks says. "A lot of different retailers are interested in having branded cards for the holidays. And it can fit in the square footage [typical] of the video store environment."--S.A.

Retailers revamp stations

Susanne Ault

Retailers are jumping on technological advances to make kiosks and sampling stations work harder in their stores. This year, 20 to 25 stores owned by Trans World will be installed with Mix & Burn kiosks, which let shoppers test music and create custom CDs. Mix & Burn will implement in-store music downloading on personal media devices by year-end. Video downloading opportunities also are being explored.

Meanwhile, Polar Frog Digital is one of the first companies set to bow an in-store download-to-burn DVD machine. Set for grocer Sprouts in October, each machine will offer 700 to 1,000 pieces of content, including feature films from indie Hart Sharp Video.

"It's instant gratification and the world we live in now," says Polar Frog CEO Todd Rosenbaum. "It has created this demand of convenience from the next [shopping] generation."

The ramped-up kiosks can carve out new revenue streams for retailers. Most providers strike sharing deals with store partners.

Mix & Burn, additionally in four Borders locations and one Meijer mass merchant outlet, charges stores about $20,000 for each machine. Stores then earn a large share of the resulting sales revenue. Alternatively, Mix & Burn can primarily shoulder machine costs, and retailers in turn take smaller revenue amounts.

"There definitely is a lift in overall sales after we move a system into a store," Mix & Burn president Bob French says. "We are encouraged by that."

Others, like Virgin Megastores, are improving the selection at preview kiosks. In 2005, Virgin equipped its New York Times Square and Hollywood locations with all-in-one preview kiosks that increased the inventory customers can sample to 250,000 CDs, 11,000 DVDs and 7,000 games.

"Before, there were about 30% of kiosks being used [at Times Square] at any given time, but we're now seeing peaks as high as 70% with the new machines," says Robert Fort, director of information technology at Virgin. --S.A.

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EXHIBIT B

TO THE
§1.132 DECLARATION OF JENS HORSTMANN

U.S. Serial No. 09/578,631

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True Click and Mortar: Freeflyr Automation to Unveil DVDPlay at VSDA Convention in Las Vegas, July 8-10.

From: Business Wire Date: June 27, 2000

BusinessWire Business Editors

NEWBURY PARK, Calif.--(BUSINESS WIRE)--June 27, 2000

Freeflyr Automation today announced that it will unveil the DVDPlay, fully automated, Web-connected video stores, at the VSDA convention in Las Vegas, July 8-10.

The DVDPlay consists of a central network hub that interacts with the www.dvdplay.net Web site in the virtual world, and with well- positioned automated interactive kiosks in the physical world. The incredible efficiency of the system means that it can operate at greater than 15 times the profit margins of traditional video stores with a minimal investment.

"We are taking advantage of the best features of e-commerce and brick-and-mortar retailing," said Bill Barber, president of Freeflyr Automation. "Most e-commerce companies need to physically interact with their customers, and most physical retailers beg for the efficiency that the Web should offer. We have married the concepts together in the most efficient, synergistic manner possible -- fully automated at the Web and fully automated at the low-cost physical stores.

"The DVDPlay system was designed to bring the term `profit margin' back into the video rental and sales market by providing an efficient alternative for expanding distribution within geographic territories. Minimal floor space and labor requirements allow for business expansion without the excessive capital investment," explained Barber.

"Systems can be placed in high-traffic locations to capture new business opportunities as stand-alones or as satellites to existing business. An optional integrated plasma display screen also provides a means to attract attention to new movies and additional revenue opportunities through advertising sales," said Barber.

"The low cost and small footprint of our interactive kiosks make it possible to profitably enter new markets in locations that are more convenient to consumers than traditional retail locations. Reductions in labor and real estate costs -- typically associated with traditional video-rental outlets -- result in tremendous margins. Internet connectivity makes it possible for customers to have the choice of shopping online or on-site, and for management to access a variety of real-time usage, stocking and security data," said Barber.

Customers also have access to real-time inventory and promotions via the www.dvdplay.net Web site.

The interactive kiosks' models have capacities ranging from 100 to 500 disks, are operated by simple graphical touch-screen commands, and take credit and select debit cards. The total time for a complete transaction can be as fast as 20 seconds. Returns are even faster and are done back at the kiosks.

Philip Tomasi, vice president and design chief, explained the management tools in the DVDPlay system: "Data from our university locations (USC and UCLA) allowed us to design an Internet-based interface that provides a great deal of transaction and system information in a scalable, efficient format. By strengthening the network hub, we were able to design and construct truly cost-effective hardware that can be placed absolutely anywhere. The reactions to the system have been overwhelmingly positive."

The company is currently addressing partnerships to facilitate a global presence. The company's facilities are located in Newbury Park. For additional information, contact Bill Barber at 888/933-4DVD, via the company's Web site at www.dvdplay.net, or visit the VSDA booth (No. 1362) in the DVD Festival area.

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DVDINSIDER: DVDPlay Debuts First U.S. Automated Entertainment Machine --AEM-

From: **DVD News** Date: **April 10, 2003**

DVD News

04-10-2003

DVD NEWS-10 April 2003-DVDINSIDER: DVDPlay Debuts First U.S. Automated Entertainment Machine --AEM-

Turning the boom in DVD player sales into a new income opportunity for franchisers, a Silicon Valley company called DVDPlay launched the nation's first equivalent of an ATM for the entertainment industry. Automated Entertainment Machines, or AEMs, enable franchisers to rent or sell DVDs and run TV spot advertising and movie trailers through strategically positioned stand-alone machines in high-traffic locations such as fast food restaurants, drug stores, convenient stores and universities. The AEM's debut comes as DVD players are outselling all other home electronic devices. Industry observers estimate the number of DVD-ready households in the United States, already at 50 percent today, will reach 80 percent within three years.

Described as "the big red machine with the small footprint," an AEM looks and functions like a bank's ATM, while offering the instant gratification of on-the-spot DVD access at a favorite coffee house or without an extra stop on a shopping trip. Unlike standard movie rental stores, AEMs are open 24/7. Unlike online movie rental services, there's no wait. Additionally, users will be able to access any machine from their home or office PC to check availability and reserve the movie to be picked up later.

"We expect the adoption of AEMs to accelerate quickly and one day be on a par with now ubiquitous ATMs," said Dee Cravens, executive vice-president and chief marketing officer of DVDPlay. "Industry analysts estimate that DVD worldwide sales and rental revenues will continue to grow exponentially, doubling to $40 billion by 2007. These numbers may surprise potential franchisees and other entrepreneurs looking for safe, new investment opportunities in an unsettled economy."

In contrast to other tech sectors, DVD rentals offer a sweet spot:

-- DVD rentals will grow at a rate of 115% annually.

-- In 2001 and 2002, DVD players outsold all other home electronic devices.

-- 50% of households own a DVD player today, estimated 80% in three years.

-- 80% of PCs will be DVD enabled by 2005.

DVDPlay generates revenue for franchises in three important ways: rental fees, late fees and DVD sales revenue. Rental fees are created every time a customer uses an AEM to rent a DVD. Late fees are based on the terms set for the rental agreement. Typically, late

fees accrue on an estimated 15% of all rentals, providing a significant source of additional revenue every month. Some consumers prefer to purchase the DVD outright which gives the franchisee another easy way to bring in extra revenue. Finally, franchisees can add advertising on the machine's large flat panel screen, email promotions and membership loyalty programs as additional revenue streams.

Each U.S. Area of Dominant Influence (ADI) will have one or more designated franchiser depending on the number of households and the territory desired; Franchisees will be able to place numerous machines within a given city or territory. Unlike other franchise opportunities, this means that there will be no local competition to compete for customers. Franchisees who sign up early will have the advantage of the most desirable U.S. markets.

DVDPlay offers customer support, designed to help new franchisees get started with every aspect of the business. This includes things such as onsite training, in field sales assistance, installation, maintenance and operating manuals. Furthermore, all franchisees are supported 24/7 via a personal, secure and safe administrative site.

DVDPlay AEMs are complete, stand-alone intelligent machines, compact in size and connected via the Internet. They are capable of dispensing, receiving, renting and selling DVDs, CDs and DVD games. The machines are easy to use and require point of purchase payment in the form of a credit.

The first step is to select a DVD by following a friendly touch-screen menu, swipe a credit card for payment and leave an email address to receive special discounts and promotions in the future. Returns are simple; customers press one button on the touch screen and slip their DVD into the designated slot. DVDPlay automatically restocks the DVD so it's ready for the next customer. If customers forget to return DVDs on time, the machine automatically adds late charges to their transactions and notifies the customer via email. All receipts are instantly sent by email.

DVDPlay's AEMS are being tested in four states --New York, North Carolina, Texas and California. For example, Duane Reed drug stores in Manhattan and The Pantry in North Carolina are currently testing AEMs under development agreements with Video Vending New York, Inc. with promising results. Additional AEMs will be rolled out nationwide when DVDPlay finalizes its franchising agreements.

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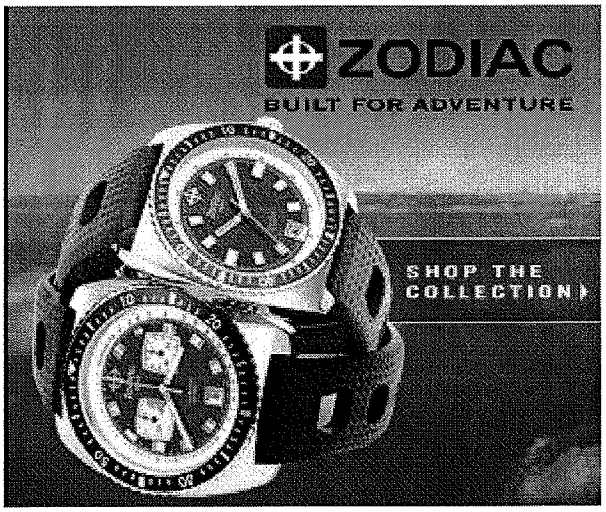
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Entrepreneurs; DVDPlay Debuts First U.S. Automated Entertainment Machine --AEM--.

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From: **Business Wire** Date: **April 11, 2003**
More results for: **DVDPlay inc.**

Business Wire

Entertainment Editors/Business Editors/High-Tech Writers

International Franchise Expo

WASHINGTON--(BUSINESS WIRE)--April 11, 2003

Turning the boom in DVD player sales into a new income opportunity for franchisers, a Silicon Valley company called **DVDPlay** today launched the nation's first equivalent of an ATM for

the entertainment industry. Automated Entertainment Machines, or AEMs, enable franchisers to rent or sell DVDs and run TV spot advertising and movie trailers through strategically positioned stand-alone machines in high-traffic locations such as fast food restaurants, drug stores, convenient stores and universities. The AEM's debut comes as DVD players are outselling all other home electronic devices. Industry observers estimate the number of DVD-ready households in the United States, already at 50 percent today, will reach 80 percent within three years.

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"We expect the adoption of AEMs to accelerate quickly and one day be on a par with now ubiquitous ATMs," said Dee Cravens, executive vice-president and chief marketing officer of **DVDPlay**. "Industry analysts estimate that DVD worldwide sales and rental revenues will continue to grow exponentially, doubling to $40 billion by 2007. These numbers may surprise potential franchisees and other entrepreneurs looking for safe, new investment opportunities in an unsettled economy."

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-- DVD rentals will grow at a rate of 115 annually.

-- In 2001 and 2002, DVD players outsold all other home

electronic devices.

-- 50 of households own a DVD player today, estimated 80 in

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-- 80 of PCs will be DVD enabled by 2005.

How The Franchise Works: Money Matters

DVDPlay generates revenue for franchises in three important ways: rental fees, late fees and DVD sales revenue. Rental fees are created every time a customer uses an AEM to rent a DVD. Late fees are based on the terms set for the rental agreement. Typically, late fees accrue on an estimated 15 of all rentals, providing a significant source of additional revenue every month. Some consumers prefer to purchase the DVD outright which gives the franchisee another easy way to bring in extra revenue. Finally, franchisees can add advertising on the machine's large flat panel screen, email promotions and membership loyalty programs as additional revenue streams.

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Customer Support

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How It Works: The AEM

DVDPlay AEMs are complete, stand-alone intelligent machines, compact in size and connected via the Internet. They are capable of dispensing, receiving, renting and selling DVDs, CDs and DVD games. The machines are easy to use and require point of purchase payment in the form of a credit.

The first step is to select a DVD by following a friendly touch-screen menu, swipe a credit card for payment and leave an email address to receive special discounts and promotions in the future. Returns are simple; customers press one button on the touch screen and slip their DVD into the designated slot. **DVDPlay** automatically restocks the DVD so it's ready for the next customer. If customers forget to return DVDs on time, the machine automatically adds late charges to their transactions and notifies the customer via email. All receipts are instantly sent by email.

Pilot Programs

DVDPlay's AEMS are being tested in four states --New York, North Carolina, Texas and California. For example, Duane Reed drug stores in Manhattan and The Pantry in North Carolina are currently testing AEMs under development agreements with Video Vending New York, **Inc.** with promising results. Additional AEMs will be rolled out nationwide when **DVDPlay** finalizes its franchising agreements.

Franchisees Contact Info

Interested entrepreneurs and franchisees should contact **DVDPlay**'s sales department to discuss financing options. Contact: Don Webb, vice-president of franchise sales, 408.395.1727 Ext. 106, email: dwebb@**dvdplay**.net or to learn more about **DVDPlay** (www.**dvdplay**.com).

About **DVDPlay**

DVDPlay is the manufacturer and franchiser of Automated Entertainment Machines (AEMs) that enable consumers to conveniently rent or purchase DVD movies wherever they shop, work or play and franchise owners to manage their AEMs remotely 24/7. AEMs are Internet connected, small footprint, touch screen and credit card enabled.

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Business Wire; May 20, 2004; 910 words

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Business Wire; July 11, 2005; 841 words

4. **Newstream Digest: Making an Unforgettable Picnic, Dido Begins U.S. Tour, Automated Entertainment Machines Rent or Sell DVDs 24/7 & Other Free Multimedia Content for Journalists.**
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DVDPlay to Make DVD Hit Movies Available Everywhere Consumers Shop, Eat, Live & Work.

From: Business Wire Date: May 20, 2004



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LOS GATOS, Calif.--(BUSINESS WIRE)--May 20, 2004

Automated Entertainment Machines (AEMs(TM)) Rent or Sell DVDs 24/7;

Instant Access Technology Eliminates Wait Times at Stores and by Mail

DVDPlay(TM), Inc. the innovator of the first remotely managed, fully automated retail machines, today introduced two new second-generation Automated Entertainment Machines -- AEMs. The AEM100i and AEM350i are suitable for installation in restaurants, grocery stores, universities, large apartment and business complexes, and virtually any location movie watchers frequent. These two Internet connected machines will provide a new revenue source for retail chains, businesses and campuses while providing the newest and most convenient way for people to rent or buy the latest hit movies.

Rentals and sales of DVD movies topped $25 billion in 2003, and are expected to continue growing rapidly along with the availability of low-cost players. At the same time, consumers are looking for inexpensive and easier ways to rent or buy latest release movies. The ongoing shift from large video store chains to Internet mail order is the latest in a series of business model changes that attempt to address this need. DVDPlay AEMs will give consumers the convenience and selection of hit movies offered by mail order without the several days wait. These AEMs provide the convenience of immediate access in locations where consumers normally shop, eat, work and live.

"The age of super-convenient consumer access to entertainment is here," said DVDPlay CEO Jens Horstmann. "Our second-generation AEMs are designed for high-volume

areas as well as smaller traffic locations. We expect to see these systems available in large national retail stores including fast food and grocery stores. Using these systems, customers will now be able to rent or buy the latest DVDs in less than a minute and return them in less than 20 seconds. This will help draw foot traffic to businesses, increase business appeal, and offer the business new ways to make money."

For years, grocery stores, restaurants and other retail outlets have recognized the potential for renting movies in their stores, but weren't willing to take on the burdens of managing extra inventory and personnel. Now, Internet connectivity enables remote administration -- making it easy to gauge customer preferences, deliver reports, restock products and keep track of financial data -- and new ways to serve customers who can personalize requests for instant electronic receipts, special promotions and discounts. Because these AEMs are Internet-connected, screen-navigable, cashless and remotely managed, labor, administrative costs and responsibilities are kept to a minimum.

DVDPlay AEMs are advertising-enabled through DVDPlay's ADPlay(TM) Network, which offers businesses an entirely new way to increase revenue through televised, in-store ads or static ad displays that reach the customer at the moment when they can immediately buy products.

The DVDPlay machines operate exclusively by credit or debit card so there are no application forms to fill out, no video store clerks to pay, and no cash to collect daily. The machines accept all major credit cards and allow purchase or rental transactions to be completed in less than a minute. The entire system is simple, secure and friendly. The AEM's small footprint (5 square feet) is ideal for placing AEMs inside or outside of locations where consumers come and go every day.

The new AEM100i and AEM350i hold 102 and 350 DVDs, respectively. The systems feature an intuitive, fully automated touch-screen interface and provide complete movie descriptions including details on the actors, director and producers. The built-in video screen can run movie trailers or advertisements customized for a particular retailer or location. Machines are shipping now to major retail outlets. Prices start at under $10,000. The company expects to announce several major customers and installations over the next few weeks.

About DVDPlay

Founded in 1999, DVDPlay is the creator and manufacturer of the world's first fully automated and remotely managed retail machine. The Automated Entertainment Machine -- AEM -- represents the new generation in a line of Web-based enhanced retail transaction technologies and machines to be developed by DVDPlay. DVDPlay's patent-pending AEMs are an effortless new way to rent and sell the latest hit DVD movies and games. DVDPlay offers the only scalable platform in the world that facilitates a "Rental and/or Sales" mode via an intelligent backend that communicates with an individual or an entire network of retail machines dynamically. Virtually any retail business function can be managed including, pricing, promotions, inventory management, advertising and movie trailer insertions, email, alerts, credit card transactions, business reports and many others in real-time.

DVDPlay's AEMs are Internet-connected, screen-navigable, cashless and require minimum personnel to administer. Owner/operators can remotely manage all of their machines from a central location. On-line administrative reports keep owner/operators informed 24/7 on all rentals, sales and other revenue streams, and allow advertising and email promotions.

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WOULD YOU LIKE A MOVIE WITH THAT? MCDONALD'S TESTING $1-A-DAY DVD RENTALS AT STORES IN DENVER

From: Denver Rocky Mountain News Date: May 25, 2004 Author: Rachel Brand, Rocky Mountain News

Rocky Mountain News

Denver Rocky Mountain News

05-25-2004

WOULD YOU LIKE A MOVIE WITH THAT? MCDONALD'S TESTING $1-A-DAY DVD RENTALS AT STORES IN DENVER

McDonald's Corp. will test-market DVD rentals in its 104 Denver stores starting in June. If the six-month experiment goes well, McDonald's will roll out the program nationally, becoming the first fast-food franchise to offer DVDs.

The company is in the process of setting up kiosks where customers can rent DVDs with the swipe of a credit card. A transaction will take less than a minute, and a fee of $1 a day plus tax compares favorably with Blockbuster's $3.99 for three days. Customers can return the movies to any McDonald's store.

The kiosks, made by Los Gatos, Calif.-based DVDPlay Inc., hold as many as 350 copies of the top 25 or 30 titles.

McDonald's says it will stock the same top new releases that video stores stock. And it will restock with new movies every Tuesday.

It's unlikely it would carry independent movies such as the recently released Supersize Me, a documentary that charts a man's physical decay after eating three McDonald's meals a day for a month.

Oak Brook, Ill.-based McDonald's has called the movie "shocking" and "irresponsible." The company did not return a call asking if it would prohibit selling movies with strong violent or sexual content.

Industry consultants hail the concept of renting mainstream movies as a creative way to bring customers into the store.

"It's certainly an attractive price point. It also requires a return trip, doesn't it?" said Dennis Lombardi of Chicago-based Technomic Inc.

"I think it's an adventurous step on their part," said Jerry Collins, principal of Dallas-based Food For Thought Inc., a food marketing company. "I'd be very interested in seeing at the end of the test, how much lift or increased traffic they get out of it."

McDonald's declined to discuss financial projections.

The fast-food behemoth, with 13,000 U.S. stores, maintains that it wants to provide added convenience for customers who lead busy lives, not compete with the likes of rental giant Blockbuster.

The feeling is mutual. Dallas-based Blockbuster, with 8,600 stores across the globe and 100 in metro Denver, has long said new releases make up the lion's share of its rental income.

Last year, the company logged $4.5 billion in rental income and $1.28 billion in merchandise sales.

"Are we concerned? We're about as concerned as they would be if we suddenly announced we're selling hamburgers," Blockbuster spokesman Randy Hargrove said.
The same goes for Video One, one of the largest independent video stores in Denver.
"We have one McDonald's where we are (on Colfax Avenue), and I'm afraid to take my family there," Video One manager James Bond said. "I don't think it would affect us at all, to be honest with you."
Carolyn Gust, a McDonald's spokeswoman, said that concepts that fly in Denver often are rolled out nationwide. The company tested double-lane drive-throughs and self-serve ordering kiosks here, she said.

INFOBOX
DVD rental comparison
Blockbuster * $3.99 (plus tax) for a three-day rental. Return DVD to its rental location.
McDonald's * $1 (plus tax) for each day's rental. Return DVD to any McDonald's store.

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Will McDonald's super-size its rental program? Test expands after 'incredibly positive' response.(Retail)

From: Video Business Date: May 31, 2004 Author: Kaplan, Simone

GWI If McDonald's Corp. has its way, hungry customers around the nation will be able to take home a DVD with their burger and fries.

Building on initial rollouts of DVD rental stands in three markets, McDonald's will put kiosks at 100 sites in Denver during the next month as part of a pilot program to gauge customer interest in on-location DVD rentals. The expansion follows previous tests of the concept in two dozen Denver sites and a handful of locations in Washington, D.C., and Las Vegas.

"The DVD rental initiative is part of McDonald's desire to make our business more relevant and convenient to our customers," said Kelly Hoyman, marketing manager for McDonald's Rocky Mountain region. "We want to make our restaurants a destination for customers who would already be renting movies in addition to picking up dinner."

Under the program, McDonald's customers can rent DVDs from the automated kiosks for $1 per night plus tax. Renters can keep the DVDs for as long as they like for $1 per additional night. If the DVD is kept for more than 21 nights, McDonald's charges $25 and the customer effectively buys the DVD.

There's no membership or late fees, and the DVDs can be returned at any McDonald's location with a kiosk, which are installed either inside or outside the restaurant, depending on the location.

The automated rental machines, which hold between 100 and 350 DVDs, are manufactured by Los Gatos, Calif.-based DVDPlay and are operated and maintained by Redbox, a division of McDonald's.

The machines take credit and debit cards and are stocked with new movies every Tuesday.

If the Denver test goes well, the company could take the program nationwide, but no timeline has been set and info on additional possible markets wasn't immediately available.

With more than 30,000 locations around the country, McDonald's could increase competition for established video retailers such as Blockbuster, which runs 8,500 retail outlets. But Big Blue appears largely unconcerned.

"We're about as concerned with McDonald's renting DVDs as they would be if we started frying up burgers," a Blockbuster spokeswoman quipped.

During the past few years, McDonald's has embarked on a brand strategy intended to broaden its customer base and increase the chain's appeal for adults as well as children.

In addition to launching more healthful menu items and happy meals for adults that

include "stepometers" to promote exercise, the Oak Brook, Ill.-based burger giant has struck a cost-sharing deal with Wayport Inc. to install high-speed wireless Internet service in 8,000 McDonald's locations by 2005 and is about to announce a music-downloading agreement with Sony Corp. McDonald's also has said that it plans to stop doing stand-alone entertainment promotions in favor of a broader entertainment marketing campaign that includes the recent "I'm Lovin' It" music campaign.

The DVD rental initiative is part and parcel of the chain's larger entertainment promotion strategy because it helps create a long-term relationship with customers who can appreciate the convenience of one-stop shopping, said Susan Nunziata, executive editor of the Entertainment Marketing Letter, a newsletter covering entertainment promotions.

"DVD rentals help foster a stronger customer relationship, because it's a renewable resource," Nunziata said. "There's always something new they can keep coining back to."

McDonald's ran two test programs prior to the Denver pilot, in Washington, D.C., and Las Vegas, with fewer than 20 kiosks placed in each market. Customer response to the earlier test was "incredibly positive" in terms of DVD sales and increased levels of customer convenience, Hoyman said, though she couldn't confirm that McDonald's had run any customer satisfaction surveys in the two beta markets.

Meanwhile, DVDPlay also has client companies testing the machines in other markets around the country. VideoIl is testing the automated rental machines in several Albertson's supermarkets in Salt Lake City, and SpeedyDVD is conducting a pilot at retail locations in Hershey, Pa.

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WoodLand AEM Enters Agreement With Limelight Media Group for Digital Content Management.

From: **PR Newswire** Date: **August 2, 2004**

PR Newswire

Limelight Media Group, Inc. (BULLETIN BOARD: LMMG) of Memphis, TN has executed an Agreement with WoodLand AEM of St. Louis, MO to provide content management, content development and advertising sales for LCD screens prominently displayed on the DVD rental machines deployed by Woodland AEM. The Agreement allows WoodLand AEM to provide a Point of Sale advertising opportunity on its DVD rental machines, manufactured by DVD Play, Inc. (http://www.dvdplay.net/), that are being deployed in convenience stores, grocery stores, military bases, universities and other establishments with high traffic count. Limelight Media will provide the network platform for the delivery and management of content to be seen on the LCD screens at the customers of WoodLand AEM.

Larry DeVuono, President of WoodLand AEM, states, "We are excited about the opportunity to bring this new technology to our clients, and coupled with our DVD Play distribution program, we anticipate a continued rapid growth in our deployment of DVD rental kiosks."

Limelight Media Group, Inc. headquartered in Memphis, TN was founded in February 2000 to create, manage, and support out-of-home digital advertising and promotional networks. Limelight today provides "in-theater," "in-lobby," and interactive promotional advertising mediums for the cinema advertising industry. The Company's digital media management system enables simultaneous delivery of video content to a variety of remote audiences in real time, allowing for immediate customization of messages through a centralized network operations center. The company recently began expanding its efforts to include grocery, retail, restaurant, and the hospitality industry. More information can be found at http://www.limelightmedia.com/ .

This release includes projections of future results and "forward-looking statements" as that term is defined in Section 27A of the Securities Act of 1933 as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934 as amended (the "Exchange Act"). All statements that are included in this release, other than statements of historical fact, are forward-looking statements. Although management believes that the expectations reflected in these forward-looking statements are reasonable; it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the expectations are disclosed in this release, including, without limitation, in conjunction with those forward-looking statements contained in this release.

Contact:
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866-887-LIME (5463)

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636-343-3797

CONTACT: David V. Lott, President of Limelight Media Group, Inc., +1-866-887-LIME (5463); or Larry De Vuono, President of WoodLand AEM, +1-636-343-3797

Web site: http://www.limelightmedia.com/ http://www.dvdplay.net/

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Keep those customers spending: internet usage, DVDs continue to grow in popularity.(Technology)

From: American Coin-Op Date: February 1, 2005 Author: Rupnick, Jan

Magazine

If you're thinking about ancillary revenues as you settle into the new year, you're not alone. Since the first coin laundry opened in 1934, laundry owners have made ancillary revenues such as vending machines a staple in their coin laundries.

With the demands of the public constantly changing, laundry owners are faced with the challenge of adding new services to help entertain and entice customers as well as generate additional revenue. Some of the new ancillary revenue sources to hit laundries include DVD vending machines and Internet cafes.

MAKING THE TIME FLY

Today's consumer is different. Unlike in the past, they look for entertainment value in everything they do, and the laundry is no exception. While customers realize the importance of doing the laundry, some will see it as time that they could be doing something else. Whenever a storeowner can add something of interest for customers, it gives them just one more thing to occupy their time while doing their laundry and it gives the storeowner additional revenue.

"Anything you can do that makes the customers feel like it takes less time enhances the feeling that you're in a faster location," says Jeff DeGroot, Fuel Supply Inc. president. Fuel Supply Inc., headquartered in Dallas, is an operator of restaurants, convenience stores, gas stations and now coin laundries.

"It may not be a faster wash, but if customers are surfing the Internet, playing a video game or watching a movie that is going to make the time feel faster," DeGroot adds.

STAYING CONNECTED

From cell phones to hand-held text messaging, today's generation is constantly connected. With the dawn of the Internet, a whole new world of communication opened up. To capitalize on this growing trend, Nick Tesseris, owner of Point Laundry in Grand Rapids, Mich., added Internet access to his laundry.

Located near a college campus, Tesseris saw this as an opportunity to attract students. "When you give customers the option of using their laptops to respond to e-mail or to study, it just gives them something productive they can do," says Tesseris.

One concern about offering an Internet cafe is how the customers use the Internet. "There is some fear that customers will abuse the sites they visit," explains Craig Dakauskas, Speed Queen national sales manager. "But if you are providing the computers, you can install blocks prohibiting certain sites."

Asked if his customers were misusing the Internet, Tesseris stated that he has not had any problems. "The students are respectful," he says. "They use headphones if they are

listening to music and respect the fact that they are in a public place."

Word of mouth about Internet access at the laundry has helped Tesseris build a following. "We've had a lot of success with the Internet cafe. The response has been positive," Tesseris says.

Internet cafes are not just for laundries near colleges. Recently, a laundry owner in California was looking for ways to keep customers in the laundry longer while they were washing clothes. Located in an area where in-home computers were a luxury rather than a staple, they added a computer room with limited Internet access. The most common usage was for school-age children to do homework assignments and for others to play online games.

CLOTHES AND A MOVIE

Do your laundry and rent a movie? Automated DVD kiosks are a great way to build additional revenue, according to ELO Media LLC.

Traditionally found on college campuses, at airports, in grocery stores and in some restaurants, DVD kiosks provide customers with the convenience of renting a movie while grabbing dinner, grocery shopping or doing their laundry.

Similar in size to an ATM, DVD kiosks can hold anywhere from 100 to 350 titles. Operated as a franchise, most companies offer hosting opportunities to business locations, limiting the amount of cash vested in the operations.

"This could be a great way to get involved with a lower risk," says Kevin Hietpas, Huebsch national sales manager. "Laundromat owners provide floor space without the financial investments."

Will customers rent movies from a machine? McDonald's has partnered with DVDPlay to run a group of 157 pilot locations. The results have prompted McDonald's to announce that they will be installing DVD kiosks from DVDPlay into restaurant locations nationwide during the next several years.

"Most people go to Blockbuster or another video store to rent their movies," says Dakauskas. "But with time constraints, picking up a video while you are doing the laundry or buying dinner could save families from additional running around."

Maintained by the owner/operator, there is little that the coin laundry owner will have to do. Inventory is self-managed, and the DVD kiosks operate with a credit card so there is no cash in the machine.

Safety is a concern. "This might be a great amenity depending on your location," says Keith Walker, owner of Barcade Amusements in Tulsa, Okla. "Because of where my store is, I would be more hesitant with the possibility of people breaking in to steal the DVDs and damaging the store."

According to DVDPlay, it's virtually impossible to break into the kiosks.

"The screen is made with a high-impact, one-half-inch tempered glass. The machine is metal and how the movies are loaded and unloaded makes it very difficult to get the DVD videos," says Julia Mitchell, DVDPlay marketing communications manager.

To change out movies, owners/operators use the same slot as customers instead of opening up the machine.

Whether it's Internet cafes. DVD vending machines or other ancillary revenues, the laundry of the future will definitely look different from past laundries and even today's laundry.

Jan Rupnick is public relations specialist for Alliance Laundry Systems.

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McDonald's adding DVD rentals to second market: Salt Lake City move follows Denver success.(digital video discs)

From: Video Business Date: April 4, 2005 Author: Ault, Susanne

CWI After nearly a yearlong experiment, McDonald's is heading toward making DVDs as permanent as hamburgers and fries.

Within its initial Denver test market, the fast-food giant's DVD rental kiosks are here to stay, officials said last week. Starting in May of last year, McDonald's rolled out one vending machine in 104 of its locations in the city and the surrounding metro area.

Strong appetites for rental soon led McDonald's to order a second machine for 60 of the locations, officials noted. And now, the fast food chain is set to roll out 100 DVDPlay machines in a second market--Salt Lake City--in July. McDonald's execs also are analyzing several other cities for possible addition to the DVD rental program.

By end of 2005, McDonald's aims to have at least 264 machines total.

"We are expanding because of the results that we've had," McDonald's marketing manager Kelly Hoyman said.

Generally, DVDPlay manages kiosks and shares rental revenue with the machines' retail locations. In McDonald's case, however, DVDPlay is contracted to sell and deploy machines at the chain's request for a fee.

McDonald's pays $10,000 to $12,000 for each machine. Revenue figures were unavailable. A growing source of DVD rental kiosks, DVDPlay hopes to have more than 1,600 of its machines in various retail locations across the U.S. and Canada by the end of the year.

McDonald's machines offer 25 to 70 new release titles at each location, with consumers paying $1 a day per DVD. The most renters can be charged is the value of the film, which they keep at that point.

The title selection is a fraction of the tens of thousands offered at a major rentailer outlet, but it appears the fast food chain is making some impact on consumer rental patterns in its test market.

Since McDonald's launched its DVD rentals, Denver-area indie Video King started offering one-day 99 cents rentals for about 10 of its new release titles. Most of its fresh stock continues to be tagged at $3.39 for a one-day rental, and in some cases three-day rental.

"There's a few people that will come in and say if we don't have [a particular] title in stock, they will try [McDonald's]," said Eric Mawhir, a Video King manager.

A handful of Denver-area Blockbuster stores briefly tested 99 cents rentals last year, but

a spokesman denied there was any connection to the McDonald's rentals.

"I don't think we're doing irreparable damage to Blockbuster," said Dee Cravens, DVDPlay executive VP and chief marketing officer. "We're just growing a new class of [rental] consumer at McDonald's. They are cementing a strong relationship with their consumer base by offering an added service."

Overall, DVD rental kiosks don't seem to be causing a stir yet among traditional rentailers. And Adams Media Research head Tom Adams said McDonald's current DVD activities likely represent just 1% of the Denver rental market.

After researching kiosks' ins and outs, Blockbuster has determined it won't launch its own rental machines en masse to compete with grocer and McDonald's rivals.

"We've had limited success overseas in highly trafficked areas," said a Blockbuster spokesman regarding various trials. "But if you look at the cost of the machines, the cost of production and when you add all of that up, you don't have a lot left over to support the investment."

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DVDPlay Introduces World's Fastest, Smallest and Highest Capacity Automated DVD Movie Rental Kiosk; Tejas Video Selects New A55 Kiosk as Movie Rental Solution for U.S. Military.

From: **Business Wire** Date: **July 11, 2005**

BusinessWire LOS GATOS, Calif. -- DVDPlay, Inc., North America's market share leader and innovator of fully automated, Internet connected and remotely managed movie rental kiosks today introduced the DVDPlay A55 high capacity super fast DVD rental kiosk. The new kiosk holds 502 movies, five times the titles as DVDPlay's original kiosk, and can deliver movies to customers in half the time, approximately 16 seconds. DVDPlay also announced its first A55 kiosk customer, Tejas Videos (dba Quickflix), the sole provider and operator of automated DVD vending kiosks to the United States Military. Around the world, military families and service personnel will now be able to rent the latest Hollywood hits at their base stores, post exchanges and commissaries using DVDPlay's A55 kiosks at prices much lower than possible with traditional mega video rental stores.

"The A55 joins our existing line of automated kiosks and gives our customers a much bigger choice of DVD capacities," said Jens Horstmann, DVDPlay CEO. "Retailers can now choose a kiosk based on capacity instead of physical size to better match demand, foot traffic, location and limited space requirements with kiosks capable of selling or renting 102, 350 or 502 DVD movies with no change to the physical footprint or the popular look and feel of the DVDPlay design."

Von Shows, CEO of Tejas Videos, Inc. said, "This very fast, high capacity kiosk solves significant logistic problems for us, because unlike standard grocery retailers, military bases are generally located in remote areas and spread out strategically across the globe. Given the distance of our base locations, the A55 promises to streamline the operational efficiencies and increase profitability on a global scale, while delivering more movie selections and better service to our customers, something we could not achieve with any other automated kiosk rental solution. Also, with the transient nature of the military population, traveling between bases around the world, DVDPlay's kiosks will allow customers to rent at any kiosk location and return to any other base. This is a feature that not even the mega video stores can claim or offer."

A55 Kiosk Top Features and Benefits

The A55 is built for low cost, high volume production, allowing DVDPlay to set rental prices as low as $1.00 per day -- substantially lower than traditional video stores, which can cost more than $4.00 -- while offering the same great selection of newly released movies. All DVDPlay kiosks are connected to a centralized platform that permits real-time remote control and administration of all functions and features. The DVDPlay remote management and administration capability is unique in the automated rental industry and brings a whole new level of cost efficiencies to customers that are not possible with other kiosk rental systems. DVDPlay's highly scalable and flexible platform allows connectivity to thousands of kiosks that can be managed in real-time one-to-one or one to many depending on retailers needs and requirements.

Real-time on-line diagnostics allow persistent preventive maintenance, inventory load balancing, system optimization and on-the-fly updates such as price changes, trailer insertions, promotions, software upgrades and advanced new features. The A55s high capacity permits -- along with rental -- the sell-through of new and used movies including the ability to stock popular Games, Independent, Art, Ethnic, Foreign and Documentary films, providing the consumer with a new level of service and choice.

About DVDPlay, Inc.

Founded in 1999, DVDPlay (www.dvdplay.net) is the creator and manufacturer of the world's first intelligent, fully automated, credit card, email, advertising enabled, networked and remotely managed DVD rental kiosk. DVDPlay's patent pending Automated Entertainment Machines -- AEMs -- are an effortless way to rent and sell the latest hit DVD movies. DVDPlay offers the only scalable platform in the world that facilitates a "Rental and/or Sales" model via an Internet connected backend that communicates with a single kiosk or an entire network of kiosks dynamically. Virtually any automated retail business function can be managed and administered in real-time including, but not limited to: dynamic pricing, promotions, inventory, advertising and movie trailer insertions, email alerts, credit card transactions, business reports and capture/measurement of key metrics and various data analysis. Customers include large grocery, fast food, convenience store retailers and universities. DVDPlay currently has over 500 kiosks installed in 33 states and Canada, and plans call for worldwide installations to reach 4,000 units by year-end 2006.

About Tejas, Inc.

Founded in 2004, Tejas Videos, (dba Quickflix), (www.quickflixdvd.com) is the sole provider and operator of automated DVD Vending kiosk to the United States Military which includes the Army and Air force Exchange Service (AAFES) as well as the Navy Exchange Command (NEXCOM). Tejas Videos started off with 3 bases in the San Antonio Texas area in early 2004 and has now expanded across the nation to more than 25 states. Tejas Videos plans are to deploy globally over the next year to sea ports and bases through out the Middle East, Europe, and the orient.

To acquire hi-rez images of the DVDPlay kiosk contact: olevy@dvdplay.net

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DVDPlay(R) Announces 200 Growth in DVD Movie Rentals for 2005!

From: **Business Wire** Date: **January 17, 2006**

Business Wire LOS GATOS, Calif. -- DVDPlay, Inc., one of the leading North American DVD rental kiosk companies, is quickly changing the method, the place, the pace and the price consumers pay for new release DVD movies. DVDPlay has rented in excess of 4 million movies, with 2005 representing an increase of 200 over 2004. DVDPlay's 200 increase in rental growth is "notable" when compared to the overall DVD rental market, which grew a respectable 14 in 2005 according to the Digital Entertainment Group (Reuters Jan 5, 2006). DVDPlay operates automated movie rental kiosks located in major grocery chains, fast food restaurants and U.S. military bases. Generally DVDPlay new release titles rent from $1.00 to $1.49 per day depending on location.

DVDPlay continues to lead the way in the rapidly emerging self service DVD rental market with its innovative and patent pending technology by providing the world's smallest rental kiosk (5.5 square feet) designed specifically to fit into major grocery chains and most other high traffic retail outlets without taking up valuable shelf space. DVDPlay Kiosks consistently maintain 99.999 reliability.

"We are transforming the DVD rental business by offering unprecedented convenience and prices that are less than half that charged by traditional video retailers for the latest DVD titles. Frankly, it is stunning to see how fast consumers are adopting our kiosks for renting movies," said Dee Cravens, Chief Marketing Officer of DVDPlay. "We have eliminated the inconvenient and time consuming visit to a dedicated video store by locating DVDPlay kiosks in places that most households visit two or three times per week. DVDPlay has made renting and returning a DVD incredibly convenient. Remote management, automation and small footprint allow us to offer DVDs at $1.00-$1.49 per night making DVD rentals affordable again. New release DVDs are there when and where you want them at the price you want to pay....no monthly dues, no waiting for DVDs to arrive in the mail."

Customer loyalty and retention is another key benefit enjoyed by retailers. Stores can experience increased store traffic and up-tick in the sale of other store products when consumers come to the store to rent and return DVDs. All returned movies are instantly available for re-rental.

In July 2005, DVDPlay introduced its new A55 kiosk with a capacity of 502 DVDs providing enhanced convenience and increased inventory of new release titles. The A55 is designed to meet even the most demanding customers' desire to rent the movies of their choice.

About DVDPlay, Inc.

Founded in 1999, DVDPlay is the creator and manufacturer of the world's first Internet connected, fully automated, credit card, email, advertising enabled, and remotely managed DVD rental kiosk. DVDPlay's patent pending Automated Entertainment Machines - AEMs - are an effortless way to rent and sell the latest hit DVD movies.

DVDPlay offers the only scalable platform in the world that facilitates a "Rental and/or Sales" model via an Internet connected backend that communicates with a single kiosk or an entire network of kiosks dynamically. Virtually any automated retail business function can be managed and administered in real-time including, but not limited to: dynamic pricing, promotions, inventory, advertising, movie trailer insertions, email alerts, credit card transactions, business reports and measurement of key metrics and various business data analysis. Customers include large grocery, fast food, convenience store retailers and universities. Currently, DVDPlay operates kiosks located in 33 states in United States and Canada.

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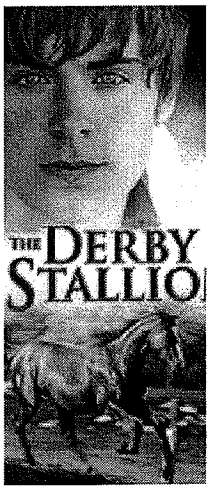
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DVD PLAY i'm your new video store

DVDPlay Raises $20 Million in New Financing

Chuck Berger named Chairman and CEO of Market Leader in Automated DVD Rental Kiosks



Los Gatos, CA- June 27, 2006 - DVDPlay™, the leading US manufacturer and operator of DVD rental kiosks, announced today that it raised over $20 million in new equity financing. El Dorado Ventures, Emergence Capital Partners, Palo Alto Venture Partners and Vanguard Ventures participated equally in the funding. To date, DVDPlay has raised nearly $40 million in equity financing. The new financing will be used to fund DVDPlay's national roll-out of their DVD rental kiosks. In addition, DVDPlay has secured a similar amount of lease financing commitments to support their installations through 2007.

DVDPlay also announced that Charles (Chuck) Berger has been named chairman, president and CEO. Berger has served as non-executive chairman of DVDPlay since 2001. Mr. Berger brings nearly 30 years of executive experience to DVDPlay. Previously, Berger was CEO of Nuance Communications and has also served as CEO of Vicinity Corporation, AdForce, Inc. and Radius Inc. He has also held executive positions in finance, marketing and sales at Apple Computer and Sun Microsystems.

DVDPlay offers DVD renters unparalleled convenience, low rental prices and current titles with new releases available every Tuesday. DVDPlay kiosks, situated in heavily trafficked locations such as grocery stores, restaurants, convenience stores and apartment complexes, offer consumers a broad selection of new release DVDs in a compact footprint. DVDPlay's patent pending software and products enable dynamic pricing, promotions, inventory management, advertising and movie trailer insertions, as well as the capture and measurement of key business metrics.

"Chuck Berger's appointment is perfectly timed as the Company transitions from startup mode to an established market leader," said Shanda Bahles, a general partner at El Dorado Ventures and DVDPlay board member. "Chuck's reputation and experience are major assets to the company and we are excited that he is on board in a full-time capacity."

"New technologies and leading-edge business practices have begun to transform the

nearly $10 billion North American DVD rental market, and DVDPlay is at the forefront," said Berger. "The company provides consumers with the DVDs they want, when and where they want them. DVDPlay also offers retailers and other commercial property owners the opportunity to capitalize on the DVD revolution. I look forward to being part of the team that will continue DVDPlay's explosive growth," Berger added. About El Dorado Ventures

El Dorado Ventures (EDV) is a leading entrepreneur-focused, early-stage venture capital firm with a 20 year history of success. The firm invests across the information technology spectrum, from semiconductors and systems to communications, software and services, targeting both consumers and the enterprise. www.eldorado.com About Emergence Venture Partners

Emergence Capital Partner's is a leading early-stage venture fund, focused on technology-enabled services ("TES"). The Emergence partners have provided investment capital to TES companies such as Salesforce.com, Ask Jeeves, WebTV, DoubleClick and many others. www.emergencecap.com About Palo Alto Venture Partners

Palo Alto Venture Partners is an early-stage venture capital firm targeting the new and distinctive markets of the Internet. www.pavp.com About Vanguard Ventures

Vanguard is a venture capital firm specializing in seed and early-stage high technology investments. Since 1981, Vanguard has funded 125 startups with more than 30 of these becoming major corporate successes. In aggregate, these companies returned approximately $1 billion to investors. www.vanguardventures.com

About DVDPlay Inc.
DVDPlay offers DVD renters unparalleled convenience, low rental prices and current titles with new releases available every Tuesday. DVDPlay kiosks, situated in heavily trafficked locations such as grocery stores, restaurants, convenience stores and apartment complexes, offer consumers a broad selection of new release DVDs in a compact footprint. DVDPlay's patent pending software and products enable dynamic pricing, promotions, inventory management, advertising and movie trailer insertions, as well as the capture and measurement of key business metrics. www.dvdplay.com

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DVD PLAY i'm your new video store

DVDPlay Hits 5 Millionth Movie Rental Mark



Los Gatos, CA - June 28th 2006 - DVDPlay, Inc. the leading U.S. manufacturer and operator of DVD rental kiosks, announced today that it rented its 5 millionth DVD movie. DVDPlay's rental growth rate continues to accelerate - out pacing traditional big box rental store rates by a wide margin. All DVDPlay new release and top hit movies rent from $1.00 to $1.49, depending on kiosk location. First time rental is free.

"We reached the four million rental mark on December 19, 2005, the five million mark on June 15, 2006 and we expect to hit 10 million rentals by year end," said Chuck Berger, Chairman and CEO of DVDPlay. "Our automated kiosks are rapidly gaining traction in retail stores and consumer acceptance has surpassed even our most optimistic plans."

DVDPlay offers movie renters unparalleled convenience, low rental prices and current titles with new releases available every Tuesday. DVDPlay kiosks, situated in heavily trafficked locations such as grocery stores, convenience stores and U.S. military bases, offer consumers a broad selection of new release DVDs in a compact footprint. It can take less than 40 seconds to make a rental transaction.

About DVDPlay

DVDPlay offers DVD movie renters convenience, low prices and new releases every Tuesday. Kiosk are located in high traffic retail locations such as, grocery stores, convenience stores, quick service restaurants, U.S. military bases and large apartment complexes. Kiosks are 5.5 square feet and offer in excess of 500 disc slots per kiosk. DVDPlay's patent pending software and products enable dynamic pricing, promotions, inventory management, automated email receipts, advertising and movie trailer insertions, as well as the capture and measurement of key business metrics.
www.dvdplay.com

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DVD PLAY i'm your new video store

Genuardi's Markets and DVDPlay Promote New Movie Releases Using In-Store Kiosks

NORRISTOWN, PA - March 14, 2007 - Genuardi's Markets and DVDPlay team-up to offer customers the latest Hollywood DVD rentals inside local stores in the Philadelphia area. The easy-to-use, red, DVDPlay kiosk is located in the front of the participating Genuardi's stores and has up to 100 movie titles to choose from.

"The hottest hits of the season are in our stores," said Maryanne Crager, public affairs manager for Genuardi's. "We aim to provide our customers with the convenient experience of one-stop-shopping for groceries and a movie. This gives our customers another reason to visit our stores and catch up on the newest movies without having to make an additional stop."

Customers can rent and return their DVDs at any participating Genuardi's. There are no membership fees or late fees.

"We are expanding across the nation with Safeway and its divisions like Genuardi's," said Sheri Tate, vice president, sales operations, DVDPlay. "Bringing fun, value and convenience to Genuardi's customers is part of the value proposition DVDPlay brings to each store."

Customers can rent and return the newest DVD movie releases from the easy-to-use DVDPlay kiosk in as little as sixty seconds. Customers simply make their DVD movie selection, swipe a major credit or debit card and receive their DVD.

The regular price is $1.49 the first night, 99¢ each extra day. It's roughly one third the cost of a rental at traditional DVD outlets if returned the next day. DVDs can be returned to any participating Genuardi's store.

About Genuardi's

For more than 80 years, Genuardi's (www.shop.genuardis.com) has been serving Delaware Valley consumers. More than 5,000 team members operate 37 stores throughout Pennsylvania and New Jersey, carrying on the company traditions of freshness, quality, great value and legendary customer service. Genuardi's has been a division of Safeway Inc. since February 2001.

Rent Video Games
FREE 10-Day Trial
Enter Game Title
Search
GAMEFLY.

About DVDPlay

DVDPlay (www.dvdplay.com) offers consumers unparalleled convenience, low rental prices and new release DVD movies at kiosks located in grocery stores, convenience stores, military bases and apartment complexes. The easy-to-use, credit card-enabled kiosks hold more than 500 DVDs, ensuring that there will be plenty of the hottest new releases available. DVDPlay kiosks are located across the US and Canada with 2,250 expected to be installed by the end of 2007.

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Dominick's, Jewel touting DVD vending; Rental kiosks to feature per-night fee on movies.(News)

From: Crain's Chicago Business Date: March 19, 2007 Author: Slania, John T.

CRAIN'S Chicago Business

Byline: JOHN T. SLANIA

Coming soon to a grocer near you: DVD vending machines.

Dominick's Finer Foods LLC and rival Jewel Food Stores are racing to install DVD rental kiosks, offering customers new movie releases at low prices.

The grocers like the machines because of their low overhead and because they occupy underused space at the front of stores. They also have the potential to drive sales because they require shoppers to return to the store to drop off their rentals.

Dominick's says that being the first to offer DVD rental kiosks may help it siphon customers from Jewel.

"When you're first, it's usually an advantage," says Jeffrey Norkiewicz, vice-president of marketing execution for Dominick's. "That may be the one thing that makes you turn left into Dominick's instead of right into Jewel."

So far, Dominick's has the lead: Since February, it has installed the machines in about half of its 83 Chicago-area stores. Most locations should have them by mid-April. Jewel expects to begin installations by Monday, with plans to outfit most of its nearly 200 stores by the end of May, a spokeswoman says.

The kiosks feature roughly 70 new Hollywood releases, such as "Borat" and "The Departed." Each machine holds 500 DVDs. Customers pay by swiping a credit or debit card.

Dominick's features a kiosk produced by DVDPlay Inc. of Campbell, Calif. Customers pay $1.49 for a one-night rental, and 99 cents for each additional night. DVDPlay has about 1,000 units nationwide, including in the network of stores owned by Pleasanton, Calif.-based Safeway Inc., the parent of Dominick's.

Jewel uses a system by Redbox Automated Retail LLC, based in west suburban Oakbrook Terrace. The kiosks charge a rental fee of $1 a night. Redbox has more than 2,200 units nationwide, including in stores owned by Jewel's parent, Minneapolis-based SuperValu Inc.

`growing niche'

Vending machines are a relatively new area of the U.S. DVD rental market, first making a splash in 2003 when McDonald's Ventures LLC, the investment group of the Oak Brook-based fast-food giant, acquired Redbox and began installing units in some of its restaurants. Since then, the kiosks have been installed in more supermarkets and drugstores, including some outlets of Walgreen Co. of Deerfield.

Yet vending machines contribute a small portion to the rental industry, which is expected to record $8.4 billion in revenue this year, according to Adams Media Research Inc., a Carmel, Calif.-based entertainment research firm. By yearend, there are expected to be about 5,000 kiosks nationwide, but they will capture less than 3% of the rental market, says Tom Adams, president of the firm.

"It's a growing niche, but I don't ever think vending machines are going to threaten video stores or online retailers, which have much greater selection and depth," Mr. Adams says.

Still, Dominick's and Jewel see many advantages to having the kiosks in their stores. The stores receive a percentage of each transaction. DVDPlay and Redbox maintain the machines, stocking new releases and making repairs.

Given the low margins of the grocery business, anything that can generate additional traffic is a plus, says James Hertel, senior vice-president of Willard Bishop Consulting Ltd., a Barrington grocery industry consultancy.

"If you can . . . create any incremental revenue, that's an advantage these days," Mr. Hertel says.

CAPTION(S):

About half of Dominick's 83 local stores have DVDPlay rental kiosks.

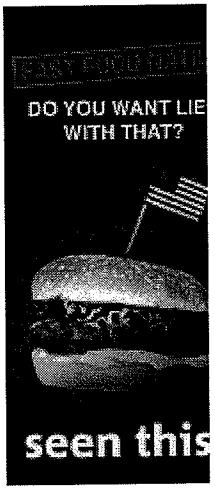
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DVD PLAY i'm your new video store

DVDPlay Shows Off Kiosk Technology At Food Marketing Institute Show



DVDPlay accelerates growth with large install base in new Canadian and East Coast grocery locations

Chicago, IL 5/4/07 - Aisle 11, is where you get your favorite frozen pizza, aisle 13 you grab a six pack of soda and on your way out, you add the perfect compliment to your purchases-a movie. And DVDPlay, a Silicon Valley-based company, is making that possible for grocery shoppers across the nation with their red, five-foot tall, soda can-shaped DVD rental kiosk. The movie dispensing machines are located at the front of grocery stores such as, Safeway and their affiliate stores, Albertsons, and Kroegers. They are deployed throughout California, Arizona, Colorado, Oregon, Texas, Illinois, Pennsylvania and Canada.

"These machines are really catching on," said Dee Cravens, vp of marketing, DVDPlay. "We've seen tremendous growth over the past year and are exploring lots of new locations."

There are currently 1,200 DVDPlay kiosks operating in grocery stores today, and according to Cravens that number will double by the end of this year. "Our service adds value to the grocery business. People have to buy food, it's an essential part of life and if they can bring home a movie it saves them a second trip to the video store and money too," Cravens said. The DVDPlay kiosk rents movies for $1.49 the first night and .99 cents each extra night.

"Shoppers love us because we're convenient and grocers love us because we give their customers another reason to come back to the store when they return the movie," Cravens said.

To experience DVDPlay in action, the company will be showing off their kiosk at the Food Marketing Institute (FMI) Show in Chicago, IL, May 6th-8th in booth 3822.

About DVDPlay

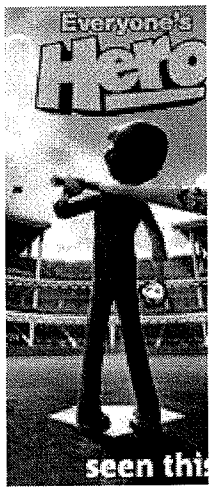
DVDPlay's (www.dvdplay.com) easy to use, credit card enabled kiosks hold more than 500 DVDs, ensuring that there will be plenty of the hottest new movie releases available.

Movies can be rented in less than 60 seconds. DVDPlay kiosks are conveniently located in stores and restaurants that customers typically visit two to three times per week. There are more than 1,200 DVDPlay kiosks located in 35 States and Canada. DVDPlay's kiosks are networked and powered by patent-pending software that enables dynamic pricing, promotions, inventory management, advertising and movie trailer insertions as well as the capture and measurement of key business metrics. DVDPlay kiosks meet all federal and state regulations including UL, FCC and ADA certification.

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DVD PLAY i'm your new video store

DVDPlay And Safeway Promote New Movie Releases Using In-Store Kiosks



Lanham, Md. - Safeway and DVDPlay have joined forces to offer customers the latest Hollywood DVD rentals inside selected local stores in the mid-Atlantic region. The DVDs will be available through easy-to-use, red DVDPlay kiosks located in the front of the participating Safeway location. Shoppers will be able to select from more than 100 movie titles.

"The hottest hits of the season are in our stores," said Safeway's Roger Herding, director of marketing, Eastern Division. "We aim to provide our customers with the convenient experience of one-stop-shopping for groceries, and now they can add a movie. This gives our customers another reason to visit our stores and stay current with the latest movie releases without having to make an additional stop." Customers can rent and return their DVDs at any participating Safeway. There are no membership fees or late fees.

"We are expanding across the nation with Safeway," said Sheri Tate, vice president, sales operations, DVDPlay. "Bringing fun, value and convenience to Safeway's customers is part of the value proposition DVDPlay brings to each store."

Customers can rent and return the newest DVD movie releases from the easy-to-use DVDPlay kiosk in as little as 60 seconds. Customers simply make their DVD movie selection, swipe a major credit or debit card and receive their DVD. New releases are added to machines each Tuesday and can be available for four to six weeks. The regular price is a $1.49 the first night, $.99 each extra day, roughly one third the cost of a rental at traditional DVD outlets. (Editor's Note - A list of participating Safeway stores is attached on a separate page).

DVDPlay (www.dvdplay.com) offers consumers unparalleled convenience, low rental prices and new release DVD movies at kiosks located in grocery stores, convenience stores, military bases and apartment complexes. The easy-to-use, credit card-enabled kiosks hold more than 500 DVDs, ensuring that there will be plenty of the hottest new releases available. DVDPlay kiosks are located across the US and Canada with 2,250 expected to be installed by the end of 2007.

Safeway Inc. (www.shop.safeway.com) is a Fortune 500 company and one of the

largest food and drug retailers in North America, based on sales. The company operates 1,761 stores in the United States and western Canada and had annual sales of $40.2 billion in 2006. The company's common stock is traded on the New York Stock Exchange under the symbol SWY.

Safeway's Eastern Division employs approximately 16,000 people and operates 179 stores, including 38 Genuardi's Markets in Southeastern Pennsylvania and New Jersey, with 77 Safeway stores in Maryland, 44 in Virginia, 16 in the District of Columbia and five in Delaware.

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Q2 2007 Netflix Earnings Conference Call - Final

From: Fair Disclosure Wire Date: July 23, 2007

FDCH e-MEDIA Fair Disclosure Wire

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OPERATOR: Good day, everyone, and welcome to the Netflix second quarter 2007 earnings conference call. Today's call is being recorded. And at this time, for opening remarks and introductions, I'd like to turn the program over to Ms. Deborah Crawford, Director of Investor Relations. Please go ahead, ma'am.

DEBORAH CRAWFORD, DIRECTOR OF INVESTOR RELATIONS, NETFLIX, INC.: Thank you, and good afternoon. Welcome to Netflix second quarter 2007 earnings call. Before turning the call over to Reed Hastings, the company's Cofounder and CEO, I'll dispense with a customary language and comment about the webcast for this earnings call. We released earnings for the second quarter at approximately 1:05 PM pacific time. This earnings release which includes a reconciliation of all nonGAAP financial measures to GAAP and this conference call are available at the company's investor relations website at www.netflix.com. A rebroadcast of the call will be available at the Netflix website after 3:30 PM pacific time today. We'll make forward-looking statements during this call regarding the company's future performance. Actual results may differ materially from these statements due to risks and uncertainties related to the business. A detailed discussion of such risks and uncertainties is contained in our filings with the Securities & Exchange Commission, including our annual report on Form K -- 10K filed with the commission on February 28, 2007. And now I would like to turn the call over to Reed.

REED HASTINGS, COFOUNDER, CEO, NETFLIX, INC.: Thank you, Deborah. And welcome to everyone. In the second quarter, Netflix exceeded our profit forecast and delivered one of our most profitable quarters ever. The seasonality in our business means that the second quarter is typically our most profitable and slowest growing quarter of the year.

In the past, slow growth meant a 5% to 10% sequential increase in subscribers. This quarter, due to increased competition, it meant a 1% decline in subscribers. We expect to return to positive sequential growth in the second half, even assuming no relief from the competitive environment due to higher seasonal growth in the second half of the year compared to the second quarter. Partially due to the battle with our competition, the on-line rental segment as a whole is growing quite remarkably. In the year between mid 2005 and mid 2006, on-line rental expanded by a healthy 2.5 million net additions. But in the most recent 12 months, from mid '06 to mid '07, on-line additions accelerated to approximately 3.7 million subscribers. As internet commerce continues to mainstream and as video stores close, the prospects for on-line rental to add over 4 million net new subscribers over the next year are strong. If on-line rental stays on that 4 million per year track for three years, that would be more than 20 million on-line subscribers by mid 2010. If on-line rental achieves these subscriber levels, then the mass closures of the largely fixed-cost video stores will help make on-line rental even more pervasive. Within just a few years, much of the DVD rental market will likely be on-line rental.

And despite alternatives to DVD rental, such as video on demand and DVD sales, domestic DVD rental from Blockbuster, Movie Gallery and Netflix combined grew from Q1 '06 to Q1 '07, the last published quarter. In other words, on-line rental growth more than made up for shrinking store rental revenue. Consumers are not shifting away from DVD rental. But they are shifting from store-based DVD rental to on-line DVD rental. Consumers are choosing on-line DVD rental in ever greater numbers due to its superior value, convenience and selection.

And the on-line one distribution center per region model is significantly more efficient than the one video store per neighborhood model.

This year Blockbuster realized the criticality of on-line rental and changed its strategy to dramatically increase investment in on-line rental by giving away one free store rental for every on-line rental.

By literally giving away the store, they have gained on-line subscribers at the cost of big financial losses. Earlier this year, we thought Blockbuster might sustain these steep losses for only a quarter or two as they did in 2005. So we maintained our profit goals and trimmed our subscriber expectations for the year. At this point, however, we believe it is prudent for us to assume that Blockbuster stays in the on-line growth-over-profits mode as long as they can, and, therefore, we're adapting our competitive posture, by shifting some profits to defend our share. If this assumption turns out to be too conservative, that should be upside for us.

As we look at how to grow our business, most efficiently, we make trade-offs between service levels, marketing levels and price levels.

For example, we are opening 10 or so new distribution centers this year, because we find improving service levels with faster delivery is a relatively efficient means of subscriber growth and retention.

Similarly, we are frequently testing lower price points to see if there is enough elasticity to pay for the price cuts. Last month, in June, we became convinced that we could cut the price of our two out unlimited program by $1, and it would substantially pay itself back through increased retention in increased organic growth, allowing us to spend less in marketing. We're very pleased with the results of that two out price cut.

And we're now extending that reduction to our one out and three out customers. At lower prices, we'll spend less acquiring subscribers than we otherwise would have because of the increased attractiveness of our lower priced programs. In other words, marketing reductions largely funds these price cuts. Our strategy evolution is shifting some profits into growth investments. For as long as our competitor runs their on-line service at a considerable loss. The tactics of our increased growth investments are higher service levels, lower pricing and slightly less marketing, because we believe that is the most efficient combination for Netflix at this point. Despite the shift of some profits into growth, our full-year subscriber guidance is down slightly, but not by as much as it otherwise would have been. We have shifted some profits into growth, but are attempting to avoid the trap of overreacting. At some point, our competitor will likely desire at least a modest profit on their on-line service. And we expect Netflix to enjoy greater growth and profitability at that time.

The market is large enough that there is room for two large, growing and profitable on-line businesses. The reason the current competition is so intense is the opportunity is quite large as consumers switch from store rental to on-line rental. Over the long-term, we think our advantages as an innovative internet company filled with great talent and

fueled by outstanding customer satisfaction are enormous. Couple that with the strength of our balance sheet and we believe Netflix is well-positioned to compete effectively and to emerge from the current battle strong, growing and profitable. Part of this optimism stems from the progress we're making in on-line video, which will grow slowly but steadily over the next 5 to 10 years. Usage tracking by compete.com already shows us as the leading on-line movie service by a wide margin. And our ability to combine on-line DVD rental and on-line video into one service gives us a significant competitive advantage. We are generating more on-line video viewing every month.

The next big step, delivering Netflix on-line video to the television, we expect to come together next year with a number of partners and we'll have more to say about that next year. One subscription service with two delivery methods is, we believe, the path to long-term leadership and profits. At this point, I'll turn the call over to Barry to give you some more color on our results.

BARRY MCCARTHY, CFO, NETFLIX, INC.: Thank you, Reed. And good afternoon, everyone. My prepared remarks will comment on our financial performance for Q2 and our earnings guidance for the remainder of the year. I'll also share some preliminary thoughts about guidance for 2008, after which I will conclude my remarks with a status update on the $100 million stock buyback program we announced last quarter.

As Reed mentioned, last quarter's results were mixed. Subscribers were in the low end of our guidance range and ending subs actually declined for the first time in our history, which was disappointing.

The good news is that slower subscriber growth was accompanied by lower marketing spending, which resulted in near record high net income. Significantly above the high end of our guidance for the quarter. Revenue for Q2 was in the low end of the range of our guidance. This resulted from the sequential decline in ending subscribers. ASP continued to decline as we expected, reflecting the popularity of our lower-priced plans. As in prior quarters, the three out, $17.99 a month program was our most popular offering. We expect ASP to continue to decline for the foreseeable future, until the mix of new subscribers and existing subscribers reaches equilibrium. I'll explain why this shift is driving expansion of our gross margin in a moment. Excuse me.

As we forecast on last quarter's earnings call, our gross margin declined sequentially in Q2. The primary reasons for that decline were one, the 2% increase in the first class mail rate we absorbed in May, and two, increasing costs related to our watch now on-line video feature, which we rolled out to our entire subscriber base during the quarter. With the growing popularity of our on-line video feature, we expect these costs to increase over the next two quarters, and reduce gross margins further as Netflix subscribers enjoy the immediacy of internet-delivered video. The on-line video costs are another example of the investment spending we talked about to drive increased value for Netflix subscribers. But our gross margin for the quarter was, in fact, better than we expected, because fulfillment and on-line video costs were less than we expected. And that brings us back to my earlier mention of the decline in ASP and the positive impact on our gross margin.

Overall, ASP declined about 3% sequentially in Q2. But that 3% decline was accompanied by a 6% increase in the revenue we earned on every paid disk shipment in the quarter which means profit margins are expanding with the decline in ASP, assisted by the seasonal decline in disk shipments and the growth of our lower priced plans.

Net income of $26 million grew 50% year over year and was 71% above the midpoint of our guidance for Q2. The majority of the outperformance were about 60% was due to slower subgrowth and lower marketing expense which accompanied that slower growth,

as well as the stronger than expected gross margin. The remainder of the outperformance were about 40% was due to our patent infringement litigation settlement with Blockbuster. This was a one-time payment with no ongoing stream of license fees.

The marketing group maintained their spending discipline again this past quarter, spending up to the marginal lifetime value of a subscriber to grow our business, which maximizes our total profit. To put the impact of our marketing spending in perspective, let's remember that with flat revenue of approximately $305 million in each of the last two quarters, we more than doubled net income from $10 million to $26 million, as we reduced marketing spending sequentially by $27 million or 1/3. Free cash flow in the quarter of $6.5 million was modestly positive after last quarter's negative free cash flow of $18 million, but would have been nearly breakeven without the Blockbuster settlement. The principal contributors to the improvement in cash flow were the $16 million sequential increase in net income, plus a decrease in prepaid expenses, combined with a reduction in both fixed asset and DVD purchases. Like last year, we expect comparatively strong cash flow in the second half of the year.

Today's earnings release introduces guidance for Q3 and Q4. Our guidance includes a downward revision in ending subscribers and net income for 2007. This was the second consecutive quarter in which Blockbuster's willingness to lose money on its Total Access program slowed our subgrowth. Because we think they operate Total Access at a 5% to 10% growth margin, the more subs they get the more money they lose after deducting -- deducting marketing and fixed expenses. Last quarter, I estimated their on-line business would lose more than $200 million this year. If they continue to operate their on-line business this way, we'll continue to operate in a challenging, competitive environment. As Reed mentioned, we're assuming Blockbuster continues on its current path. That means we expect continued pressure on our ability to grow our sub base profitably. So, while we were pleased with this quarter's near record net income, we're also feeling pressure to arrest the shift in market share and reaccelerate subgrowth. The increased investment in growth relative to profits that Reed spoke about today is another positive if modest step toward slowing the shift in market share.

On last quarter's earnings call, Reed told you that we needed to see an acceleration in our subscriber growth as compared with current trends to reach 20 million subs by 2012. And without an acceleration in subscriber growth and profit, we can't deliver the 50% annual earnings growth we once targeted for the business. In 2008, by way of example, we may see a decline in net income on a year-over-year basis. Two important assumptions underlie our expectations for 2008 the first is that the current competitive environment remains unchanged, and the second assumption that we significantly increase our investment spending and internet delivered video. As Reed indicated, we expect to debut internet delivery to the TV next year.

And that will involve increased investment primarily in content, if an increasing numbers of Netflix subscribers choose internet delivery. Last quarter, we announced a program to buy back $100 million of Netflix stock. To date, we have purchased 1.4 million shares at a cost of approximately $30 million. If the business performs as we expect over the next few quarters, we'll complete the buyback program by year end and finish the year with more than $350 million in cash and no debt on our balance sheet.

In summary, Q2 was our first quarter of declining subs and our first quarter with more than $25 million of net income, excluding the realization that the preferred tax asset in Q4 of 2005. The business model is performing well from a P&L perspective, but our growth has slowed in this rapidly growing on-line rental market. With Blockbuster losing more than $200 million a year to grow its on-line business, we're unable to grow subscribes as fast as we would like to and maintain strong profit growth. And so, we're gradually investing more resources to drive growth at the expense of profit. That's the

goal of the increased investment in growth Reed spoke about earlier.

To change the growth trajectory of our business by changing the competitive value proposition of our service.

Last quarter, I told you we valued profit more than growth. We saw that emphasis play itself out in last quarter's results. The profit growth outpaced subgrowth to such an extent last quarter that we think the pendulum swung too far. And our guidance for the remainder of 2007 reflects our decision to compete more aggressively for new subscriber growth than we did last quarter. When Blockbuster decides to operate its on-line business profitably, our financial results will improve also. But until that time, both subgrowth and earnings will remain under pressure. That concludes my prepared remarks, and now we'll open the phone lines to answer your questions.

OPERATOR: Thank you. The question-and-answer session will be conducted electronically. (OPERATOR INSTRUCTIONS) And we'll pause momentarily. Our first question will come from Barton Crockett with JPMorgan.

BARTON CROCKETT, ANALYST, JPMORGAN CHASE & CO.: Okay. Great. Thank you very much for taking the question. I wanted to ask, I guess, one thing I guess following up on the sort of -- [key] information from 2008. I take it at this point you're giving us some qualitative information saying you may see stepped up investment in the internet video and some of the competitive environment is unchanged. But you're not providing EPS guidance at this point for 2008, specifically. But I was wondering if you could provide us any qualitative sense with your baseline view is whether '08 is higher or lower than what you're seeing for '07. That would be the first question.

BARRY MCCARTHY: Well, I don't see it being any higher than current year and there is a possibility it will be lower and mostly what I see when I look across the southside research are forecasts for increases on a year-over-year basis. And I'm trying to signal I think that's -- we're really optimistic given the level of investment in growth we have planned to make in the business.

BARTON CROCKETT: Okay. Alrighty. And then second thing I was wondering about is, if we go through the changes in the guidance, it looks like the reduction to the back half after backing in the level of beat versus the second quarter and what you've printed here, something in the range of reduction of I guess in the $0.20 to $0.33 range. What is the principal driver of that? Is it the price reduction or is it lower subs than you had anticipated? In other words, how much of it is competitive versus a change in your pricing plan?

BARRY MCCARTHY: There's some of both, primarily related to pricing.

BARTON CROCKETT: Okay. And then the final thing, and then I'll jump off here. Blockbuster said in their presentations to lenders they've done some survey work that says that 60% of video renters, DVD renters, want a combination of store and on-line. 20% want store only. 20% want the on-line subscription only. Since their numbers are out there, I was wondering if you guys have any counterpoint to that, any research you've done which either supports or contradicts what Blockbuster is putting out there?

REED HASTINGS: Barton, it's Reed. Consumers want a value and if you give away a lot of free store rentals, I'm sure they respond positively to that as we've seen in the numbers. And I think really the issue is Blockbuster is willing to lose a lot of money to grow their share. And that makes it a tougher climate for us. And they could do that by, for example, having on-line only and cutting the price in half, or they could do that with $200 million of marketing, or they could do it with free store rentals. How they do it is not

that relevant. What's relevant is that they're willing to subsidize the business to a great degree because they feel that it is a wise course for them. So, again, it is the -- I think it has become clearer that on-line rental is going to become the dominant form of rental. And we're seeing a share scramble and it look like they think they were a little behind and so they got to invest a lot to catch up. But presumably, they'll be interested in profits in that business over time also.

BARTON CROCKETT: Okay. Alright. I've asked enough questions. Thank you, guys, very much.

OPERATOR: Our next question will come from Doug Anmuth from Lehman Brothers. Please go ahead.

DOUG ANMUTH, ANALYST, LEHMAN BROTHERS: Thank you. It seems like you think that you can shift the competitive landscape at least by some degree by lowering prices and then next year shifting more into digital. So digital is obviously a big part of the story in terms of the spending. But can you talk about what you're seeing so far in terms of churn rates or customer satisfaction with your instant viewing users? Then can you also talk about the impact you've seen so far of the BBI mail only product? Thank you.

REED HASTINGS: Sure, I'll take those in reverse order. In terms of the BBI mail only, they don't promote that. They promote integration with the store and we compete with Total Access. I doubt many people -- many consumers know that they have a mail-only program. So, I don't think that's a relevant competitive point for us. Second, you stated that the $1 price cut will make a difference now in the overtime instant viewing. The $1 price cut is one tactic. The other tactics that we're doing are improving the service levels throughout the business and those all get traded off against each other as ways to efficiently grow. So, I wouldn't put as much emphasis on the price cut as opposed to really again at the strategy level, what we're doing is shifting some profits over to be more competitive and some of that is going into price cuts. Some of that is going into service levels.

And then in terms of the retention impact in instant viewing, what we certainly believe is that more people use Netflix, whether that's DVD or instant viewing, the more they perceive they're getting a value.

And that those are the things that drive retention. And on-line viewing, because of the lack of mailing the disk, is inherently a lot more efficient way to deliver movies. So, we're pushing into that to harvest those increased deficiencies, but it is still at a relatively small volume again being on the PC only. So, we'll know more about it next year as we're getting closer to television access.

OPERATOR: Are there any further questions?

DOUG ANMUTH: No. You can go ahead.

OPERATOR: Thank you. We'll move next to Youssef Squali with Jefferies & Co.

YOUSSEF SQUALI, ANALYST, JEFFRIES & COMPANY: Thank you very much.

Barry, I was wondering if you could qualitatively comment on your '08 revenue. I think Q3, we're going see the first sequential decline in revenues and you're guiding for similar trend in Q4. How are you looking at '08 versus '07?

BARRY MCCARTHY: Hi, Youssef, I don't have any additional comments to make on '08. It's -- we haven't begun our planning process yet. I can say I know enough about the

business to have concluded that the street forecast I've seen look excessively optimistic. We'll talk about '08 on our fourth quarter call, probably, if we follow last year's pattern and not have more to say about it before then.

YOUSSEF SQUALI: Okay. And then the trend in your ARPU seems to indicate a pretty aggressive drop, I think in Q2 it was around $15.24. In Q3, at the midpoints, it is in the mid $14, and then it drops below $14. Are you baking in another price drop or just the mix shift toward lower priced plans?

BARRY MCCARTHY: Just mix shift. As we move towards equilibrium, the mix of new customers becomes the same as -- or nearly the same as the mix of the installed base.

YOUSSEF SQUALI: Okay. My last question for Reed. Reed, I was wondering why did you decide to settle the patent with BBI if you believed that your patent was strong enough to prevent them from continuing to expand their business? Going to hurt you in the short term at least?

REED HASTINGS: In any settlement, it is because the fact that they appear to both sides indicate that a settlement makes sense. So it made sense to us given the facts present at the time. And presumably it made sense to Blockbuster. That's why we're able to find mutual ground. And now we're both focused on growing the on-line rental market as fast as we both can.

YOUSSEF SQUALI: Okay. Thank you.

OPERATOR: And we move now to Mike Olson with Piper Jaffray.

MIKE OLSON, ANALYST, PIPER JAFFRAY & CO: Had a couple of questions on the on-line initiative for download. Basically, it seems like one of the biggest issues for on-line services is figuring out how to solve the last 10-feet problem in that you kind of alluded to it. Can you give us anymore flavor as far as how you're kind of looking at this and what are some of the potential options for you to solve that problem?

REED HASTINGS: Well, you're absolutely right that it is one of the biggest issues holding back the entire industry and we'll come forth with a variety of solutions next year. But it is going to be a slow evolution. This internet to the television isn't going to happen in one or two years, which is why we think on-line video grows slowly over the next 5 and 10 years for movies. It is because of the adoption cycle to get to the television won't be overnight. And if there is a slow adoption like that, steady over 5 or 10 years, it very much favors an incumbent such as ourselves that can make the investments and hybridize the program that is putting on-line and DVD together.

MIKE OLSON: Okay. That makes sense. And then just one question similar. As far as, right now I guess on the competitive front, the focus is on Blockbuster. But in download, Apple is probably going to be one of your bigger competitives. Can you just talk about how you feel your position relative to Apple and what would be your thoughts if Apple has a movie rental service on iTunes at some point?\ REED HASTINGS: Sure. Today there are three segments of on-line video.

There is an advertising supported segment we think will be quite large that is led by companies like YouTube and BC.com and a variety of sites. And then there's DVD purchasing, or rather movie purchasing, which is what Apple has been focusing on a $10 to $15 price point. Amazon's in that space. That makes sense as extensions to their businesses. And then there is a third segment around rental that we're the clear leader in it at this point. And so, that's how I see the segmentation.

To the degree you asked does Apple go with a transactional rental, that basically becomes a reimplementation of cable video on demand and hard to see how and why it gets traction, because it is like video on demand except you've got to buy an additional box for it.

But it doesn't offer anything beyond what you get on cable video on demand. So that's not particularly concerning. Remember, the DVD rental has always competed successfully against DVD sales, video on demand, etc. So it's a pretty large market, about $40 billion in the U.S., including the theatrical side. So there is a lot of room there for a number of approaches.

MIKE OLSON: Thanks. And then just one question for Barry. Any thoughts on tax rate for the next few quarters or are we going to stick at 41% or so?

BARRY MCCARTHY: Nominally, yes. Taxes will be less than half of that, but the nominal tax rate will be about 41%.

MIKE OLSON: Okay. That's it for me. Thank you.

OPERATOR: Tony Wible with Citi. Your line is open. Please go ahead.

TONY WIBLE, ANALYST, CITIGROUP: Hi. You guys talked about making some smaller changes to your marketing expenditures. What are you thinking about that on a seasonal basis? Would it still make sense to ramp up marketing a little bit more in peak seasonal time periods?

REED HASTINGS: Tony, sure, yes. Marketing spending will follow seasonality to a degree. That definitely makes sense.

TONY WIBLE: Okay. And I know it is still a little early for the high def format, but which percentage of your disk shipped now are high definition. And what does that cost typically run versus the the standard definition disk?

REED HASTINGS: Unfortunately, high def is still pretty small for us.

On number maybe it's 1% or something. That's true industry-wide. It is relative because of the small adoption. And we would like high def to be a big success. We're doing everything we can, that the studio dual adopts both formats. We think that's the right decision for the studio to support both formats, get the perception of the war over.

From a cost point of view, postage handling, all of that's identical, content cost is a little bit higher right now, but that's because it is so early adopter. So, I don't think it is going to be any higher once this becomes a mainstream format, but right now, I'm going to estimate that it runs maybe 10% higher per unit.

TONY WIBLE: Last question. Have your thoughts on international changed at all in light of the competitive environment in the U.S., I guess heightening, and seeing Blockbuster pulling more away from the international environment?

REED HASTINGS: Well, I agree that Blockbuster's pulling away from the international environment, but it hasn't changed our perspective on it. And certainly, our primary focus is growing the DVD subscriber base and the expansion into on-line video. And those ripe for on-line video are very much country specific.

TONY WIBLE: Great. Thank you.

OPERATOR: We go next to Heath Terry with Credit Suisse. Please go ahead, sir.

HEATH TERRY, ANALYST, CREDIT SUISSE FIRST BOSTON: Thank you. I was just wondering, you mentioned several times Blockbuster losing money on their offering. Based on the intelligence that you have, can you give us an idea of what you feel like they're losing either on a per customer basis or in a total basis, and how long, just again from your perspective, you think they're going to be able to keep that up.

BARRY MCCARTHY: Well, they have an earnings call Thursday, Heath. And so there will be a timely opportunity to pose that question to them.

They don't actually disclose that information. So, we make an educated, informed guess from what the models that we keep of their business that we hope gives us insight into the competitive environment. And we have said consistently this year that in total we expect the on-line business to lose north of $200 million chased by subscriber growth. So, if they end the year just south of $5 million, it could be as high as $230 million, if they're tracking closer to $4.5 million in their subs, it will be less. Now, as I said in my remarks, that I thought the -- I estimate that the gross margin on their on-line business including the cost of the in-store fulfillment for Total Access and less fulfillment cost, which is how we account for our on-line business is running in the 5% to 10% range. And I think they ran at a negative gross margin in Q1. They're making some slight improvements, that really their need is to be more structural changes in the value proposition to then convert the business to a moneymaker.

REED HASTINGS: Heath, we have the information to be able to estimate bottoms-up cost. From an outside point of view, you can take their store revenue and apply the gross margin that Movie Gallery generates. It's been pretty consistent. It is what store rental runs at. And from that, you can back into some top down numbers.

HEATH TERRY: Great. Thank you very much.

OPERATOR: Our next question comes from Gordon Hodge with Thomas Weisel Partners.

GORDON HODGE, ANALYST, THOMAS WEISEL PARTNERS, LLC: Yes. Good afternoon. Just wanted to dig in a little bit. And I may have missed a little bit of your comments, Barry, or didn't understand it well enough on gross margin because you handily beat our estimate there again in the quarter. And I'm curious about a couple of things. One, I think you mentioned that seasonally, usage was down which we would expect, but I'm wondering if you're losing -- if you can sense whether your you're losing high usage customers to Total Access, if that's the dynamic that seems to be playing out. And then also just wondering if maybe you could just review -- maybe go over it again just why you're able to absorb the postal increase and generate the margins that you are.

BARRY MCCARTHY: Well, the gross margin was more or less in line with our expectations. Clearly, we continue to make good progress as we have for many years in lowering on a per disk shipped basis, cost for fulfillment and content-related cost which is driven by effective merchandising on the site, which contributes to the long tail. We also benefited from some slightly lower credit card fees in the quarter. MasterCard revised our rate.

GORDON HODGE: Okay.

BARRY MCCARTHY: And those were the primary contributors, plus the seasonal change in usage, which we eluded to. I don't have any particular sight, nor do I think that there is a shift that's occuring with respect to hot users, frequent users of DVD. To the

extent that they're going to shift away from us and toward Total Access program, that's already taken place.

GORDON HODGE: Alright. Terrific. Another question if you don't mind.

Just on the marketing spending decision trade-off versus the decision to cut prices. It sounds like you saw some nice elasticity or some consumer response to the $13.99 price cut, or the move to $13.99, I should say And I assume the same was true at $4.99. Yet your guidance would suggest you aren't expecting a lot of elasticity in reaction to the price cut here today. Is the idea here just strategically to put pressure on Blockbuster throughout the year with this price cut with the view that maybe if you get some relief next year and maybe you entertain an ability to raise the price later on?

REED HASTINGS: It is Reed, Gordon. It is certainly not designed to put pressure on Blockbuster. They've got plenty of pressure on them.

It is designed to be more attractive to consumers. So, the brand and the category were very unknown four or five years ago.

GORDON HODGE: Yep.

REED HASTINGS: And so a much heavier investment in marketing was necessary. If you think from a high level in a big, competitive battle, where they're investing heavily in advertising on-line rental, we are -- we can sort of split the load in terms of the awareness of the category. There is over 10 million on-line renters today. They're telling their friends about it. There's all of these things that says the market -- you all need to more compete on value and less on promotion. I think that's the evolution that you're beginning to see. Again that the market is now 10 million total subscribers. So our actions are driven by how to grow our business as we're going through this competitive storm. Because, again, we and I think our competitor realized that on-line rental absolutely has the potential to be 20 million in three years and maybe quite a bit bigger beyond that. So we're doing the big share jockeying right now.

BARRY MCCARTHY: Gordon, this is Barry, and I would also add with respect of elasticity, it's helpful to remind yourself that decreasing significantly the marketing spending in order to offset some of the cost of the price decrease, and if we weren't doing that and could effectively deploy those moneys, you would see a different forecast for sub growth than you're seeing.

GORDON HODGE: Yep. Okay. That makes sense. Thanks.

OPERATOR: Our next question will come from Maurice Mckenzie with Signal Hill Your line is open.

MAURICE MCKENZIE, ANALYST, SIGNAL HILL GROUP LLC: Thank you for taking the question. I just have one. Can you discuss other elements of the competitive environment such as Redbox and the cable MSOs during the quarter, whether or not those had impact on overall sub growth?

REED HASTINGS: Sure. It's Reed here. Let's take them separately.

Redbox, DVDPlay, and The New [Release] I think are the three companies that are leading the kiosk business with these $1 a day rental in supermarkets, primarily. And from what we can tell by their public small base, they're growing nicely, they're all new release focus and will be an increasing pressure on video stores. And they're directly competitive with video stores, but not terribly competitive with ours, because we're much

more catalog oriented within the system. But they're still pretty small, so in the background, but take the significant pressure over the next three years, mostly due to negatively impact stores which of course has a positive impact for us. Then you mentioned cable, video on demand. Not much changing in that space. There is a movie or two that's coming (inaudible) to DVD, but across the year, that's not much of a change. And again, I mentioned that if you sum up Movie Gallery's, Blockbusters' and our rental revenue on a domestic basis, that it has actually grown from Q1 '06 to Q1 '07. So despite all of those various competitors, the consumers are sticking with DVD rental.

MAURICE MCKENZIE: Reed, just as a followup, are there any alliances that are particularly interesting to you, those that may expand your reach or penetration?

REED HASTINGS: I would say that our competitive view is that we should forecast forward in the on-line video, so if you see us doing various partnerships, we would be more inclined to do that in the area of which -- we're an internet company. We look forward on these things rather than trying to go tit-for-tat with Blockbuster on more their core area being store logistics. Today, stores are probably more relevant to most consumers than on-line video, partially because it's (inaudible) to the laptop. But stores are going to be less relevant over the next few years, and on-line video's going to be more relevant every year over the next five years. So we've got a great balance sheet. We're investing in on-line video. We're moving forward. And that's the way we look at the world.

MAURICE MCKENZIE: Reed, thank you very much.

OPERATOR: We go now to Jim Friedland with Cowen and Company.

JIM FRIEDLAND, ANALYST, COWEN AND COMPANY: Thanks. First on free cash flow. The guidance you said getting to $350 million in cash by year end implies that you have decent free cash flow in the second half.

So the first question is based on the new strategy, especially looking into '08, it sounds like you think you can continue to operate the business by generating free cash flow. The second question is on the expenses relating to the on-line video business and watch now. You said you get to 5,000 titles by year end and in the -- in Q2, the tech and dev spending went up pretty significantly sequentially. I know you don't want to give us guidance on stuff like that, but as we think about costs going into next year, what are going to be -- what's the primary driver in terms of increased expenses? Is it going to be the goal to get to 10,000 movies by year end and that's going to be the primary driver, or is it something in tech and dev? And then what specifically in tech and dev is driving that ramp? Thanks.

BARRY MCCARTHY: Well, the question to answer one, free cash flow positive in 2008 is, yes, we think we can operate the business with positive free cash flow. Answer to the second question related to tech and dev spending is there were some one-time fees which we incurred this quarter, and I expect the absolute level of spending to decline as compared with the second quarter in Q3 and Q4. The apparent ramp in spending will not be the ramp gone forward.

JIM FRIEDLAND: And on the availability of titles for watch now, again at 5,000 at year end, as you look out to '08, is there -- is the restriction in getting those titles up to say 10,000 a limit that the studios are putting out there because those are -- you're getting the titles that are available, or is it more you're just trying to grow it systematically so you don't kill the P&L?

REED HASTINGS: It's Reed here. Adding titles doesn't particularly cost us. It is the

actual viewing. So, the more people watch, the more we owe the studios, which is fair and appropriate. So, the big drivers would be if we had 500 really great titles, like we've had seasons of "The Office," the U.S. version of "The Office," that have been very popular. So, those drive up costs, but also increase satisfaction. So, our costs again are related to how much -- how successful we are promoting on-line video, and there is only very small costs, things like encoding, some fixed contract stuff, to the per title count.

JIM FRIEDLAND: Okay. That's helpful. Thanks.

OPERATOR: And we'll go now to Barton Crockett with JPMorgan.

BARTON CROCKETT: Great. I wanted to come back with a followup. I was wondering -- there's been some commentary about a level of price that Blockbuster might contemplate if they were to charge more for the in-store feature. Particularly, I think Antioco said at their annual shareholder meeting that, hypothetically, there could be a situation where they could raise their rates $2 for that. Our model is assuming a $3 price hike in the fourth quarter, at least at this point. What is your sense of the impact that would have on the Blockbuster -- the interest in the Total Access versus Netflix? Do you think that would be -- at that level of price, $2 to $3 where people are maybe taking four or five disks out of the store right now. But a $2 or $3 price hike for that , would that help you a lot or not? Have you done any work -- I was wondering if you could share some light on REED HASTINGS: Yes, it's Reed, here. Every dollar makes a difference.

$3 makes more of a difference than $2. $5 makes more of a difference than $4. So, it is pretty continuous. There is no big inflection points across there. And if they choose to do a price increase, that will rebalance the relative share growth to a degree, but they may choose not to. I mean it's anybody's guess at this point on how they look at the world. I think you can see the significance of their commitment in their P&L in the last two quarters, because they see that the consumers are voting for on-line rental and they need to [have some touch up there].

BARTON CROCKETT: Okay, great. And just on the guidance here for the back half. Can you give us some sense. I mean the churn is up year to year here in the second quarter. Are you assuming there is a comparable kind of year-to-year growth in churn in the back half?

BARRY MCCARTHY: We're assuming that the same seasonal pattern applies as last year. So, by way of example in the current quarter, churn was 4.6% up 20 basis points sequentially and it was up 20 basis points sequentially a year ago. But this year was about 30 basis points higher than it was last year. So, we are feeling the effects of competition, like we said we would. And we did anticipate that the effects of competition would diminish slowly over time. And that is still our view. Now, we'll have to see how today's announcement plays itself out in the market place in the form of churn.

BARTON CROCKETT: Okay. Great. Then also, the final question here.

What is the patent payment you got from Blockbuster. What line did that fall into on the income statement this quarter?

BARRY MCCARTHY: That was broken out separately in the release. I'm quickly thumbing through the P&L. Bear with me a moment. and I'll point you toward it.

BARTON CROCKETT: Was that an interest in, oh, here it is again in legal settlement. I see it.

BARRY MCCARTHY: Yes. Operating expenses, the last line, before total operating

expenses.

BARTON CROCKETT: I'm sorry. Thank you very much.

BARRY MCCARTHY: Sure.

BARTON CROCKETT: Okay, bye.

OPERATOR: We go now to Daniel Ernst, Hudson Square Research.

DANIEL ERNST, ANALYST, HUDSON SQUARE RESEARCH: Good evening. Thanks for taking the call. Three questions, if I might. First, G&A is up around 34%, it looks like year on year. Can talk about where the resources are being focused and is there a potential here to reverse that trend? And then two questions on the on-line market. Where are you now with -- if you looked at the on-line -- the watch now subscribers ex the male component of their service. Where would the gross margins come? You're following given usage and what it costs you to deliver technology and then I guess rev share back to studio and then romance that longer term, where do you see the economics of the digital delivery going? Is it more like rev share and less like DVD acquisition, or can you give me some color on what the economics of -- in all digital demand might look? Thanks.

BARRY MCCARTHY: Well, in terms of G&A, the trend is up in part related to some legal spending in the quarter. If litigation diminishes going forward, we'll see December [lease] there. We have expanded our investment in content group which is rolled up into G&A, and there has been some increased investment in systems related to the finance staff. I expect those to be relatively flat on a go-forward basis. In terms of on-line watch now related stuff, we'll kick that over to Reed.

REED HASTINGS: The cost per movie delivers are less on-line as you would imagine. And the good part is the studio gets the dominant part of the revenue -- the cost instead of splitting between the studio and the post office. So studios are happy with it, because it increases their percentage of the pie. Consumers are happy with it, because it is a mediate and because it costs less per movie to deliver. You asked about sort of the pricing structure and the margin structure in that market. And I think the market's just too immature to tell. Pricing is often competitively determined. It is one of the big reasons we're investing in the DVD subscriber base, because we think the magic combination for leadership and profits is combining DVD rental with on-line video and getting out of the pure commodities space of the on-line video players.

DANIEL ERNST: Thanks. Very helpful.

OPERATOR: Any further questions, Mr. Ernst?

DANIEL ERNST: No.

OPERATOR: Okay. We'll go now to Brian Pitz, Banc of America Securities. Please go ahead, sir.

BRIAN PITZ, ANALYST, BANC OF AMERICA SECURITIES: Great. Thanks. Can you give us some details on your marketing spending in the quarter?

Maybe your off-line versus on-line mix, as well as any color on the mix of on-line spending by type in terms of keywords, CPM, CPA? And then I've got a quick followup.

BARRY MCCARTHY: Yes, Brian, for competitive reasons, I'll defer -- we move between

all of those categories based upon what we perceive as the relative efficiency of those in the deals that we get, so it is fairly fluid. And it is relatively useful for proprietary knowledge for us.

BRIAN PITZ: Okay. And then just a quick one on -- you mentioned mail cost and the quarter up about 2%. First class mail, we know the postage, I think it was on May 14th, increased. Is the 2% because of the timing of the increase mid quarter? And can you talk about, going forward, how we should think about the increased cost of mail on a full quarter basis? Thanks.

REED HASTINGS: Well, on a per disk ship basis, it's about $0.04 to $0.02 each way. We don't actually break out the cost of postage and packaging. I don't have any comments except to say we'll pick up a full quarter's worth in Q3 and we picked up a partial quarter in Q2.

BRIAN PITZ: Great. Thank you.

OPERATOR: And that concludes today's question-and-answer session. At this time, I would like to turn the program back to Mr. Hastings for any closing remarks.

BARRY MCCARTHY: Thanks, operator. So, everyone, our revised guidance, of course, is based on the assumption that Blockbuster doesn't change course at all over the foreseeable future. And we don't know if that is too conservative or not. But we thought it is the most prudent assumption. What we can certainly see is that consumers are not turning away from DVD rental, but they are definitely switching from store-based rental to on-line rental, and that's apparent to all of the players in the market. So, it is likely to be a fairly intense competitive battle here, as people play for that big market over the next couple of years. So, with that, I would like to thank you for participating, and look forward to talking to you again in a quarter.

OPERATOR: Thank you, everyone, for your participation on today's conference call. You may disconnect at this time.

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Video store in a box Machines let shoppers pick up a movie with their groceries.(Business)(Around the malls)

From: Daily Herald (Arlington Heights, IL) Date: July 22, 2007

Daily Herald Byline: Kim Mikus

The latest method to rent a movie is as easy and cheap as using a Pepsi machine.

While at the grocery store picking up milk and bread, shoppers can now grab the latest flick from a vending machine at the front of the store.

Redbox, found at Jewel stores, and DVDPlay, housed at Dominick's, are movie dispensing machines that are becoming the hottest way to rent DVDs.

People are waiting in line to utilize them at some locations.

Some Jewel Redbox kiosks are renting more than 1,000 DVDs a week, according to Juanita Kocanda, manager of public affairs at Jewel. "We're looking to add a second machine at some stores," she added.

The vending machines hold 500 disks carrying anywhere from 80 to 100 titles.

Redbox, traditionally carrying newer releases, charges $1 a day, plus local sales tax. New movies are loaded into the machines on Tuesdays.

McDonald's Corp. and Coinstar Inc. co-own Redbox, based in Oakbrook Terrace.

California-based DVDPlay machines tend to carry a larger selection of older titles in addition to the new releases. The price tag is $1.49 before tax. Additional companies, including Houston-based TNR Entertainment, are hitting the market as well.

The proliferation of the machines comes at a time when rental stores are struggling.

The success of Netflix showed that consumers would rent movies on the Internet and have them delivered by mail. Video-on-demand cable companies are also thriving.

To compete, Blockbuster launched its own online rental program, Total Access, about eight months ago. At the end of the first quarter, more than 3 million subscribers signed on, said Blockbuster spokeswoman Karen Raskopf.

"The industry is changing," she said.

Blockbuster, which charges about $4 for a new release at its stores, has tested the vending machine concept but doesn't have plans to add them at this point. "If there's demand and it makes money, we'll consider it," Raskopf added.

Experts agree there is consolidation in the industry. And consumers demand convenience.

"There's nothing else in the industry that matches the convenience and value of Redbox," said Greg Waring, Redbox vice president of marketing.

With the new machines, there is no need to fill out a registration. All the user needs is a credit or debit card while using a touch-screen video monitor. The DVD emerges from a slot, packed in a plastic case. It's returned to the same slot.

"It's so easy to use," said Mundelein resident Pam Hanas, who switched from renting from the local video store to Redbox. "It's convenient," said the mother of two teenage daughters, who also use the Redbox currently being tested at a local Walgreens.

"We're growing quickly," Waring said.

There are about 4,200 Redboxes, with 1,400 of them in McDonald's and most of the others in grocery stores.

Customers can visit www.redbox.com to choose their favorite title online and reserve it to ensure it's there when they get to the machine.

There are no late fees with the new video machines, located both in and outside, depending on the location. Instead, the customer is charged another dollar every day the movie is out. After 25 days, the renter can keep the disk.

To return the movie, shoppers can go to any machine in the country with the same name.

"It's a convenience thing," said Amanda Schmidt while returning a video at the Jewel in Lake Zurich.

- Kim Mikus covers retail for the Daily Herald. She welcomes comments at (847) 427-4567 or at kmikus@@dailyherald.com.

Movie boxes

Redbox

- Owned by McDonald's Corp. and Coinstar Inc., based in Oakbrook Terrace.

- Started in 2004, hit this market in May.

- Has 4,200 locations; 2,800 in grocery stores; 1,400 in McDonald's

- Found at 240 area Jewel stores and select Walgreens

- Cost is $1 per day per rental.

- Carries between 80 and 100 recently released titles

DVDPlay

- Based in Campbell, Calif.

- Started less than a year ago, hitting Chicago market four months ago.

- Located in more than 1,200 grocery and convenient stores, large apartment complexes and U.S. military bases.

- Found in nearly 70 area Dominick's stores.

- Cost is $1.49 the first night, 99 cents each extra night.

- Features a mix of new releases and older titles.

Source: DVDPlay and Redbox

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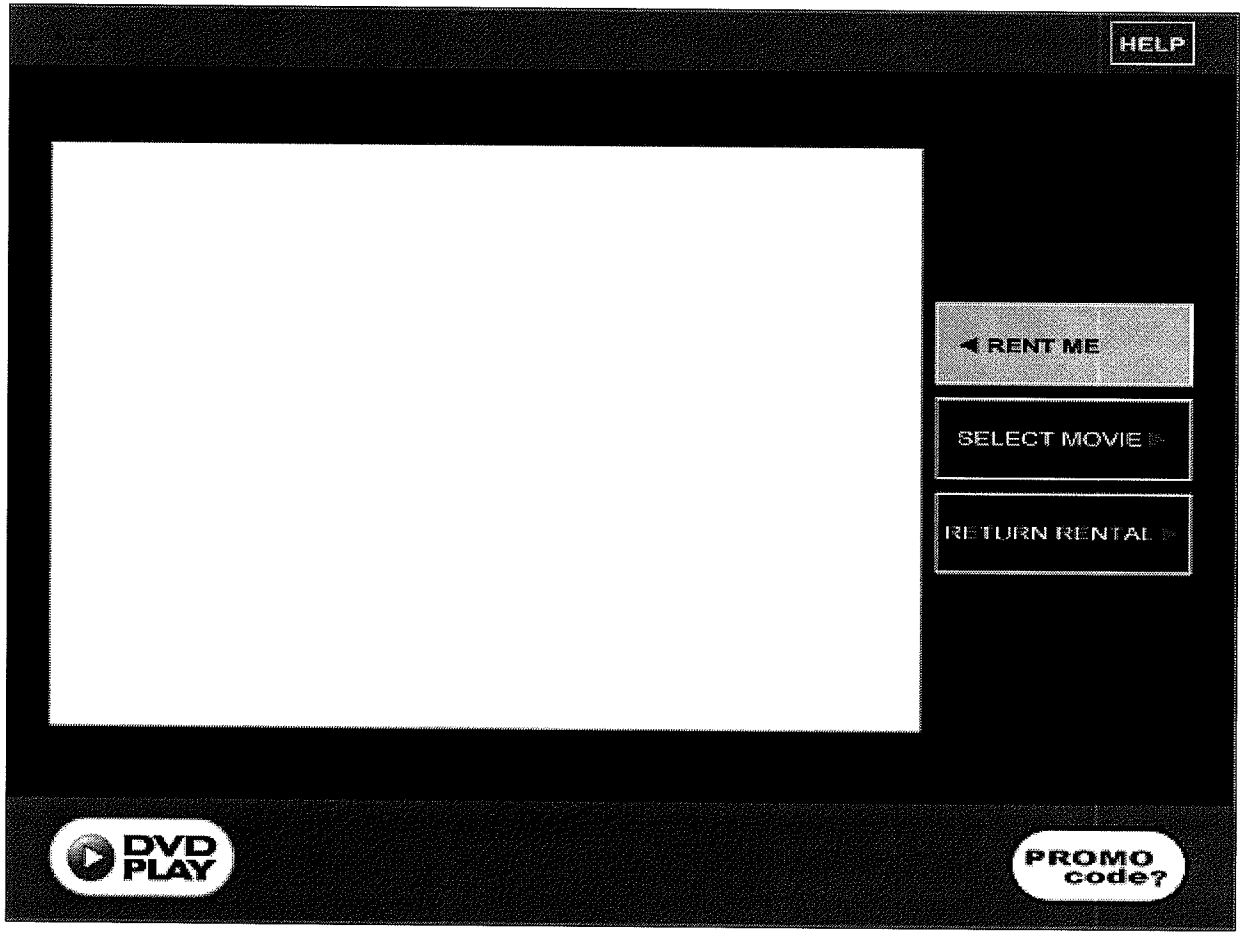
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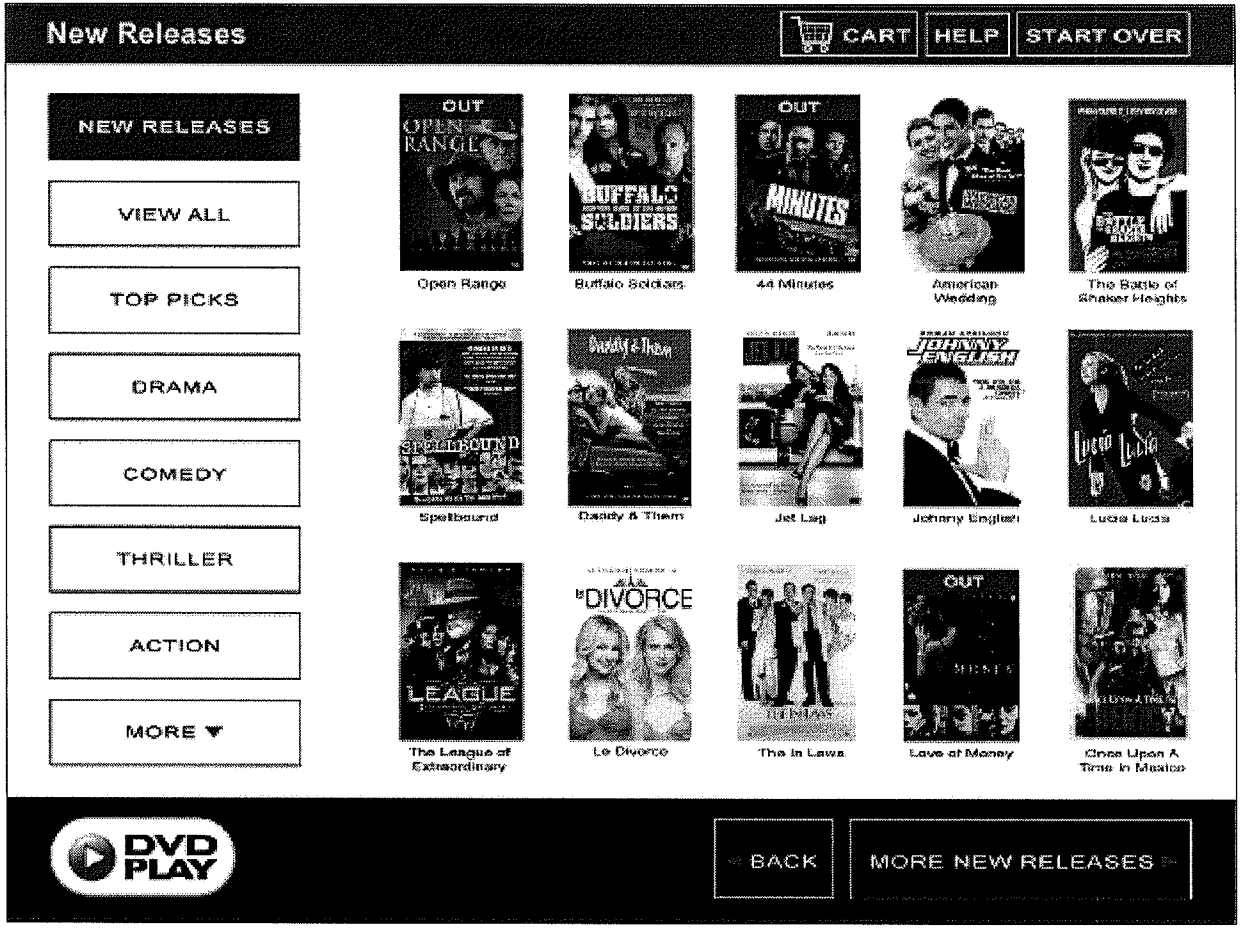
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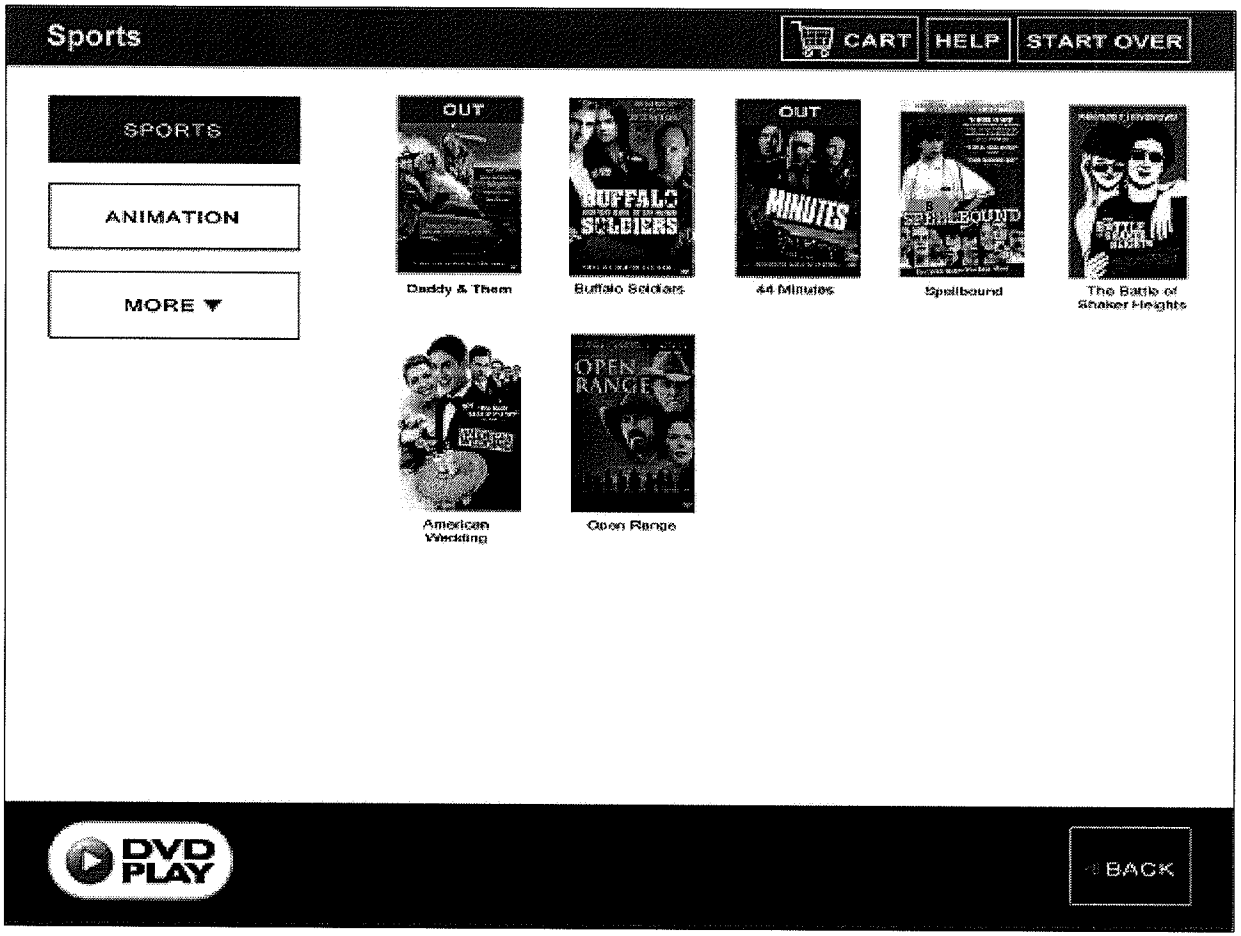
Start



New Releases/Categories – 1st Page



New Releases/Categories – 2st Page



DVD Movie Detail - Available

MOVIE DETAIL

CART | HELP | START OVER



THE ITALIAN JOB

CRIME / ACTION
111 minutes

Starring: Mark Wahlberg, Charlize Theron, Edward Norton
Director: F. Gary Gray
Rating: PG13
Subtitled in: French

In this big-budget remake of the 1969 British caper classic, The Italian Job stars Mark Wahlberg as Charlie, the mastermind of a daring Venice heist overseen by John (Donald Sutherland), a lifelong criminal who plans to retire from the fold with the earnings from his most recent take. Basking in the glow of a job well done at a secluded retreat in the Alps, the thieves -- including the aptly-named Handsome Rob (Jason Statham), tech-geek Lyle (Seth Green), and hearing-impaired quipster Half Ear (Mos Def) -- are ruthlessly double-crossed by one of their own, the taciturn, calculating Steve (Edward Norton). Time passes and each member of the group finds himself pursuing other opportunities in the States, until Charlie rallies them together for a revenge-motivated scheme designed to bilk Steve of all his misbegotten earnings.

Rental Price:	$ 3.50
Purchase Price:	$ 15.00
Due Back By:	Friday, November 7, 2003 / 11:59 PM
Late Fee:	$3.50/1Day

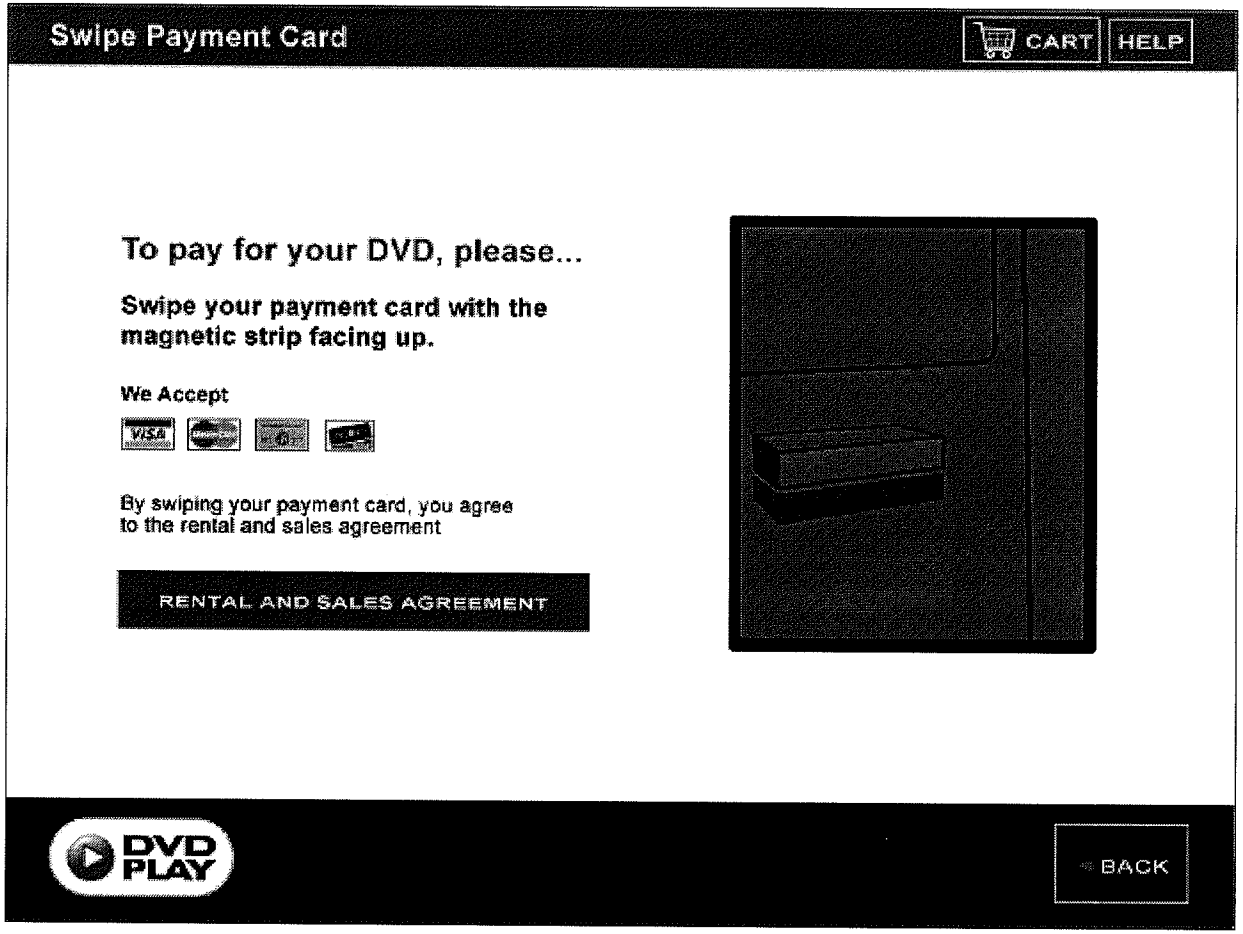
DVD PLAY

BACK | BUY MOVIE | RENT MOVIE

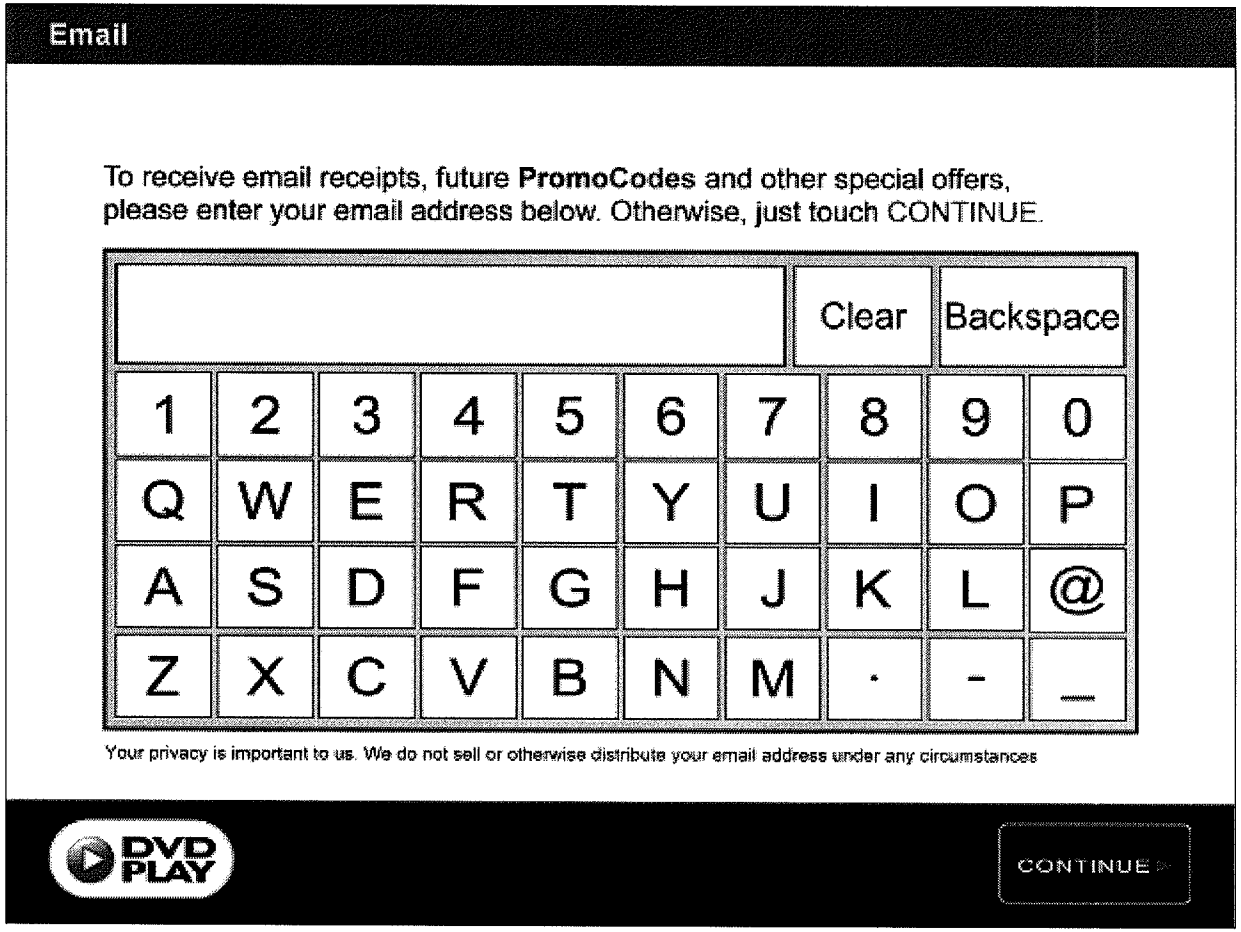
Movie Cart Screen– No PromoCode



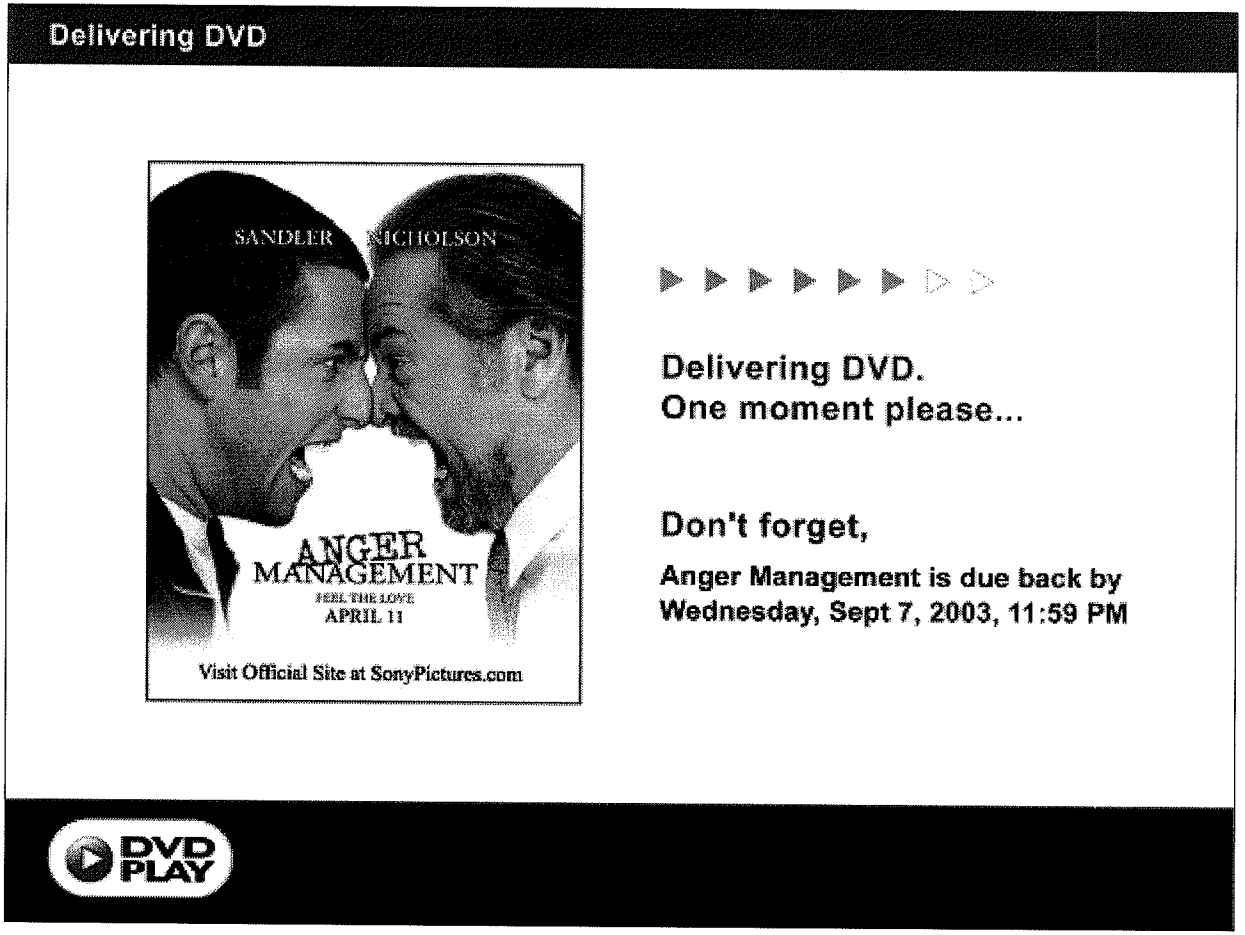
Swipe Payment Card



Add Email


Email
To receive email receipts, future PromoCodes and other special offers, please enter your email address below. Otherwise, just touch CONTINUE.
Clear
Backspace
1 2 3 4 5 6 7 8 9 0
Q W E R T Y U I O P
A S D F G H J K L @
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Your privacy is important to us. We do not sell or otherwise distribute your email address under any circumstances
DVD PLAY
CONTINUE

Delivering DVD



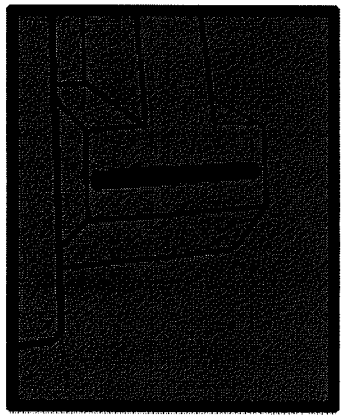
Remove Movie - Rent

Remove DVD

Here you go!

Please take special care of the DVD.

ENJOY!



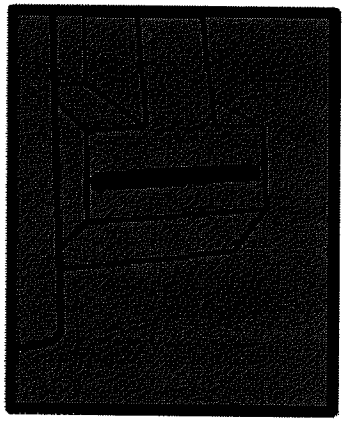
Return DVD

Return DVD

HELP | START OVER

To return your DVD, please...

1. Make sure bar code on DVD is facing up
2. Insert case in direction of arrow
3. Insert to dotted line on case and let go



DVD PLAY

DVD PLAY i'm your new video store

now playing in the DVDPlay kiosk

Now Playing
Coming Soon


Perfect Stranger



Wild Hogs



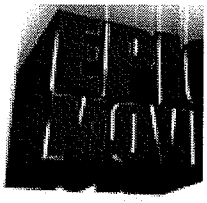
Fracture



Vacancy



The Lookout





Disturbia



TMNT



Are We Done Yet?



I Think I Love My Wife



Unaccompanied Minors




300



Zodiac



Hot Fuzz



Premonition



The Number 23

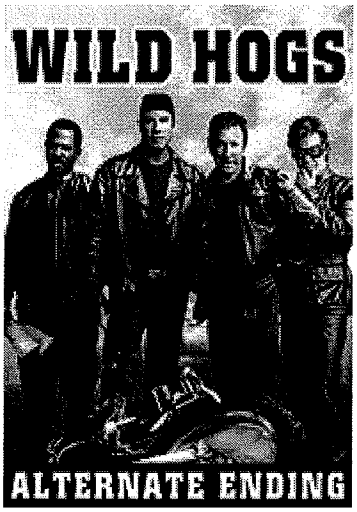
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DVD PLAY i'm your new video store

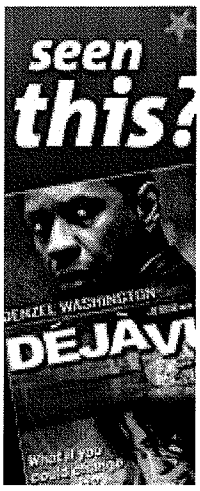
Wild Hogs

Now Playing
Coming Soon



Tim Allen, John Travolta, Martin Lawrence and William H. Macy hit the road in this rollicking comedy-adventure about a group of middle-aged friends who decide to rev up their routine suburban lives with a freewheeling motorcycle trip. Taking a long dreamed-of breather from their stressful jobs and family responsibilities, they can't wait to feel the freedom of the open road.

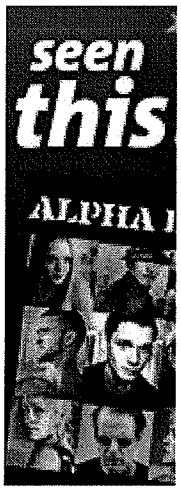
Cast:	John Travolta, Martin Lawrence, Tim Allen
Director:	Walt Becker
Category:	Comedy
Running Time:	100 Min.
Subtitles:	English
DVD Release:	2007-08-14
MPAA Rating:	PG-13



rent it near you! ▶ more new releases ▶

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DVD PLAY i'm your new video store



spot a kiosk

Tell us where you are, and we'll tell you where to find us. Just plug in your information below and we'll steer you to the kiosk nearest you.

Street:
City:
State / Province:
Postal Code: 22314
Country: United States
Radius (miles) 20

find my kiosk

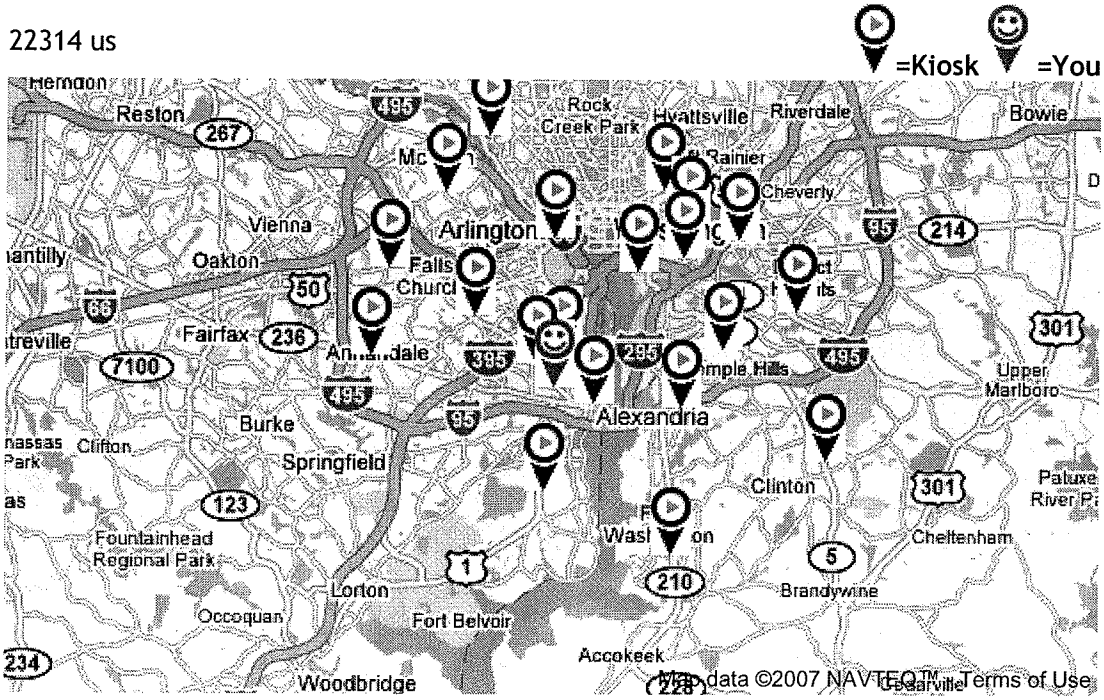
* Only the 20 closest kiosks will be shown even if more exist in the selected radius.

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DVD PLAY i'm your new video store



22314 us



#	Distance	Store Location	
(1)	1.41 miles	**Safeway** 3526 King St Alexandria, VA 22302 us (703) 379-6019 5am-12pm	Map & Directions
(2)	1.59 miles	**Safeway** 8646 Richmond Hwy Alexandria, VA 22309 us (703) 780-3646 5am-12pm	Map & Directions
(3)	1.96 miles	**Safeway** 7900 Ft Hunt Alexandria, VA 22308 us (703) 765-0924 5am-12pm	Map & Directions
(4)	4.79 miles	**Safeway** 7451 MT. VERNON SQAURE CENTER Alexandria, VA 22306 us 703-340-1033 5:00 AM - 12:00 AM	Map & Directions

(5)	4.95 miles	**Safeway** 5821 Crossroads Ctr Way Falls Church, VA 22041 us (703) 533-3800 5am-12pm	Map & Directions
(6)	5.86 miles	**Safeway** 6235 Oxin Hill Rd Oxin Hill, MD 20745 us (301) 839-0718 Mon - Sat 5:00 AM - 12:00 AM	Map & Directions
(7)	6.51 miles	**Safeway** 401 M St SW Washington, DC 20024 (202) 554-9155 Mon - Sat 5:00 AM - 12:00 AM, Sun 5:00 AM - 10:00 PM	Map & Directions
(8)	6.87 miles	**Safeway** 1525 Wilson Blvd Arlington, VA 22209 us 703-276-9315 Mon - Sat 5:00 AM - 12:00 AM, Sun 5:00 AM - 10:00 PMSun 5:00 AM - 10:00 PMSun 5:00 AM - 10:00 PMSun 5:00 AM - 10:00 PMSun 5:00 AM - 10:00 PMSun 5:00 AM - 10:00 PMSun 5	Map & Directions
(9)	7.88 miles	**Safeway** 2346 Iverson St Temple Hills, MD 20748 (301) 423-6464 Mon - Sat 5:00 AM - 12:00 AM, Sun 5:00 AM - 10:00 PM	Map & Directions
(10)	8.37 miles	**Safeway** 415 14th St SE Washington, DC 20003 us	Map & Directions

(202) 547-4333
5am-12pm

(11)	8.58 miles	**Safeway** 7414 Little River Turnpike Annandale, VA 22003 us (703) 941-3874 Mon - Sat 5:00 AM - 12:00 AM	Map & Directions
(12)	9.32 miles	**Safeway** 990 E Swann Creek Rd Fort Washington, MD 20744 us (301) 965-6000 Mon - Sat 5:00 AM - 12:00 AM	Map & Directions
(13)	9.41 miles	**Safeway** 7397 Lee Hwy Falls Church, VA 22042 us (703) 573-2057 Mon - Sat 5:00 AM - 12:00 AM	Map & Directions
(14)	9.68 miles	**Safeway** 1601 Maryland Ave NE Washington, DC 20002 us (202) 398-6903 5am-12pm	Map & Directions
(15)	10.30 miles	**Safeway** 6244 Old Dominion Rd McLean, VA 22101 us (703) 538-6539 Mon - Sat 5:00 AM - 12:00 AM	Map & Directions
(16)	10.33 miles	**Safeway** 514 Rhode Island Ave, NE Washington, DC 20002 (202) 636-8640 Mon - Sat 5:00 AM - 12:00 AM, Sun 5:00 AM - 10:00 PM	Map & Directions
(17)	10.79 miles	**Safeway** 322 40th St NE Washington, DC 20019 (202) 397-2802 Mon - Sat 5:00 AM - 12:00 AM, Sun 5:00 AM - 10:00 PM	Map & Directions
(18)	11.66 miles	**Safeway** 5800 Silver Hill Rd District Heights, MD 20747	Map & Directions

(301) 568-0330
Mon - Sat 5:00 AM - 12:00 AM,
Sun 5:00 AM - 10:00 PM

(19)	11.88 miles	**Safeway** 4701 Sangamore Rd Bethesda, MD 20816 us (301) 320-1770 Mon - Sat 5:00 AM - 12:00 AM	Map & Directions

(20)	12.90 miles	**Safeway** 8785 BRANCH AVENUE CLINTON, MD 20735 us 301-856-7850 5:00 AM - 12:00 AM	Map & Directions

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EXHIBIT D

TO THE
§1.132 DECLARATION OF JENS HORSTMANN

U.S. Serial No. 09/578,631

From: REDACTED @dvdplay.com]
Sent: Wednesday, January 26, 2005 6:23 PM
To: J.Horstmann
Subject: FW: update
Importance: High

Sorry..missed you on the CC.

REDACTED

-----Original Message-----
From: REDACTED @dvdplay.net]
Sent: Wednesday, January 26, 2005 3:39 PM
To: REDACTED
Subject: FW: update
Importance: High

..it's here...!!!

Attached is the term sheet from GRP/USVP. Below are my first comments. I will dig into deeper on my way up to Seattle tonight.

REDACTED - CONFIDENTIAL

There is lots more in here, but I think these are the hot buttons. Let me know if you have questions.

REDACTED

-----Original Message-----
From: J.Horstmann [mailto:jhorstmann@DVDplay.net]
Sent: Wednesday, January 26, 2005 2:38 PM
To: REDACTED
Subject: FW: update

-----Original Message-----
From: **REDACTED**
Sent: Wednesday, January 26, 2005 2:31 PM
To: J.Horstmann
Subject: RE: update

Jens:

Please find attached a copy of the term sheet we and USVP delivered to Gregg Kaplan today. Our two firms are delighted jointly to deliver this executed term sheet, which provides for **REDACTED** to commit up to $30 million to help launch and support the growth of RedBox, as formed from the combined assets of McDonald's DVD vending business, DVDPlay and GetAMovie. As you know, all of us at both GRP and USVP are enthusiastic about the opportunity for this business and excited to work with Gregg, yourself and the combined team to build a successful company. We look forward to discussing the attached at your earliest convenience.

Best regards,

REDACTED

-----Original Message-----
From: J.Horstmann [mailto:jhorstmann@DVDplay.net]
Sent: Wednesday, January 26, 2005 6:29 AM
To: **REDACTED**
Subject: RE: update

Thanks for the update, **REDACTED** Would be great if you could copy me on the term sheet as we are party to it and our Board can't wait to get an insight (we have not shared your preview version).

Thanks,

Jens

> -----Original Message-----
> From: **REDACTED**
> Sent: Tuesday, January 25, 2005 9:36 PM
> To: J.Horstmann
> Subject: RE: update
>
> Jens:
>
> As Brian communicated, we are very excited to have REDACTED as our
> partner. That same message has been communicated to REDACTED. As it
> happens, we haven't actually sent the term sheet over yet, but the
> delay isn't substantive. REDACTED wanted to have their lawyers review it
> quickly. My expectation is that **REDACTED** will jointly deliver a
> term sheet to REDACTED et al. tomorrow. We are similarly looking forward
> to working with you and everybody involved in making this a great
> success.
>
> Best regards,
>
> **REDACTED**
>
> _____
>
> From: J.Horstmann [mailto:jhorstmann@DVDplay.net]
> Sent: Tue 1/25/2005 9:22 PM
> To: **REDACTED**
> Subject: RE: update
>
>
>
> Thanks, REDACTED! It's good to hear your confirmation .. we look forward
> to working with you and making this a great success!

From: REDACTED@mcd.com
Sent: Friday, January 28, 2005 4:45 PM
To: J.Horstmann
Cc: REDACTED
Subject: Re: your call

Jens,

I received your e-mail this morning expressing disappointment regarding the decision by Redbox not to place a purchase order for DVD machines.

REDACTED - CONFIDENTIAL

transaction with DVDPlay of the nature described in our non-binding Letter of Intent dated December 6, 2004 is highly improbable. In accordance with the non-binding nature of that Letter of Intent, and its provisions permitting either party to terminate discussions at any time with or without reason, McDonald's Corporation now considers the discussions contemplated by the Letter of Intent terminated.

REDACTED - CONFIDENTIAL

REDACTED - CONFIDENTIAL

As you are well aware, DVDPlay and McDonald's Corporation continue to be parties to the DVDPlay, Inc. Development, Supply, License and Services Agreement, dated March 2, 2004. That agreement places certain obligations on DVDPlay with regard to existing DVD rental machines in operation as well as exclusivity. We are confident that you are aware of these obligations and will continue to abide by the terms of that document.

REDACTED - CONFIDENTIAL

you will appreciate that the future business plans of Redbox are confidential and not an appropriate topic for discussion.

Sincerely,

REDACTED

"J.Horstmann"

<jhorstmann@DVDpl ay.net>

To: **REDACTED**

cc: **REDACTED**

Subject: your call

01/28/2005 12:41

AM

REDACTED - I was hoping you would call back this afternoon. We had a lot of static in our call and I'm not sure if I heard right.

I can't imagine that you were serious about what you said or I mistakenly heard. The condition of acceptance was clear: a P.O. hinged on software and other due diligence and field operations and acceptance of our machine - we went over this list numerous times. There was never a thought except for an emergency backup to suddenly switch to REDACTED given that we were and maybe still are planning to be one team nobody would pull something like this on his partner last minute. How do you expect us to build trust and accept your
leadership this way? I'm sure that there was ample opportunity to tell us quite some time ago.

You can't think that our investors spent $1.8m and the same amount on the A100+ to be told 1 day before the order that there is no order? What about the endless due diligence .. and other time we've invested?

Again, I have the flu and must have gotten this all wrong. Please state in writing what your intensions are, my employees, investors, Board and REDACTED are waiting.

Thank you,

Jens

RedBox-DVDPlay UI Comparison

Below is a brief comparison of the DVDPlay and Redbox UI. It should be noted that in addition to nearly identical layout of each screen, the flow of the Redbox's Rental process appears to be completely identical to the DVDPlay rental flow. In its simplest format, the rental flow for both DVDPlay and Redbox is as follows:

1. Start Screen
↓
2. Select Movie Screen
↓
3. Movie Detail Screen
↓
4. Cart Screen
↓
5. Swipe Card Screen
↓
6. Zip Code Screen
↓
7. Email Screen

Below is a screen-by-screen comparison of attributes (buttons, text, layout) of the DVDPlay and Redbox UI screens. Items that are identical or very similar are shaded in gray. Numbered copies of each screen are attached in the zip file. Please note that the color cannot easily be compared since the DVDPlay screens are raw graphics files whereas the Redbox screens are images taken from a digital photo.

Please note, we do not have screen shots of some screens currently such as return flow, PromoCode, Help Screens, etc.

1. Start Screen

DVDPlay	Redbox
Select Movie Button	Select DVD Button
Return Movie Button	Return DVD Button
Help Button	Help Button
PromoCode Button	n/a

2. Select Movie Screen

DVDPlay	Redbox
Category Selection Buttons (New Releases, Action, Comedy, etc)	All New Releases (no category selection)
Help Button	Help Button
15 clickable Movie Box Arts with text title underneath	18 clickable Movie Box Arts with title underneath
Start Over Button	Start Over Button
Cart Button	View Cart Button
More New Releases Button (red arrow)	More Button (red arrow)

3. Movie Details Screen

DVDPlay	Redbox
Box Art of left of page	Box Art of left of page
Title on right of page	Title below box art
Starring	Starring
Directed by	Director
Rating	Rating
Description	Description
Rental Price	Rental Fee
Due Back By (date & time)	Due Day/Due Time
Extra Day Fee	n/a
Help Button	Help Button
Start Over Button	Start Over Button
Cart Button	View Cart Button
Back Button (red arrow)	Back Button (red arrow)
Rent Movie Button (red arrow)	Rent Button
Buy Movie Button	n/a

4. Cart Screen

DVDPlay	Redbox
Title Column Header	Title Column Header
Rent/Buy Column Header	Rent/Buy Column Header
Due Date Column Header	Due Date Column Header
Due Time Column Header	Due Time Column Header
Price Column Header	Price Column Header
Remove Column Header	Remove Column Header
Remove Title Red Button	Remove Red Button
Subtotal	Subtotal
Tax	Tax
Total	Total
Help Button	Help Button
Start Over Button	Start Over Button
Back Button	n/a

PromoCode Button	Promo Code Button
Add Movie Button	Add Another Movie Button
Checkout Button	Checkout Button

5. Swipe Card Screen

DVDPlay	Redbox
Image of Credit Card Reader – animated	Image of Credit Card Reader – animated?
Credit Card graphics	Credit Card Graphics
Rental & Sales Agreement	n/a
Back Button	n/a
Start Over Button	Start Over Button

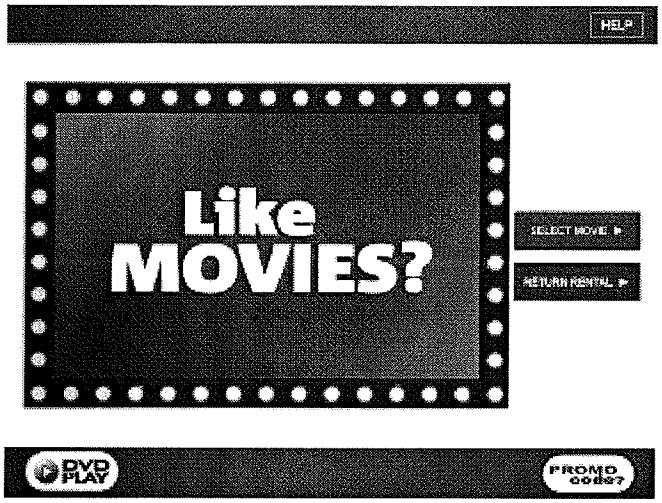
6. Enter Zip Code Screen

DVDPlay	Redbox
Text – Please enter your zip code	Text – Enter zip code
Keyboard	Keyboard (layout different)
Enter Button	Enter Button
Continue Button	n/a
n/a	No Thanks Button

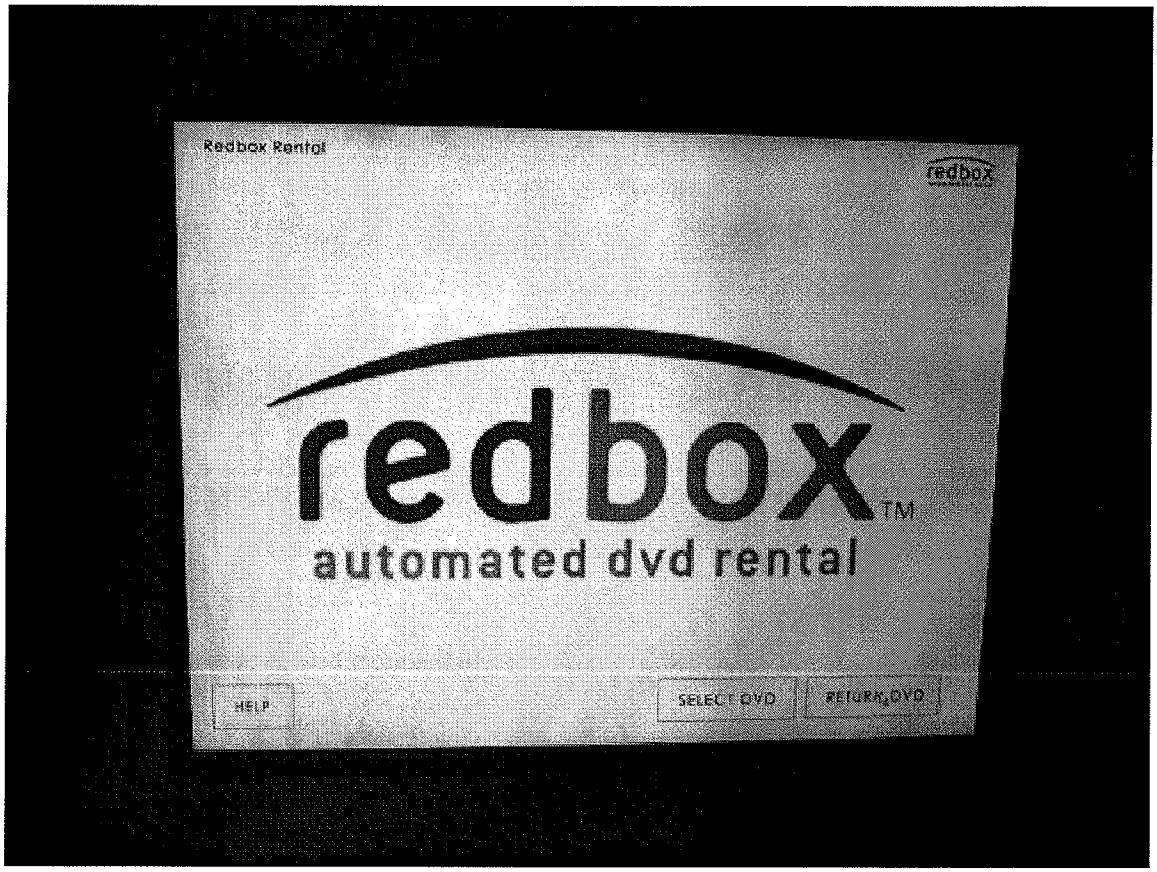
7. Enter Email Screen

DVDPlay	Redbox
Text – Please enter your email address	Text – Please enter your email address
Keyboard	Keyboard (layout similar but not identical)
Enter Button	Enter Button
Continue Button	n/a
n/a	No Thanks Button

DVDPlay Systems / Redbox (Selectron) Screen Comparison



DVDPlay Systems Start Screen



Redbox (Solectron) Start Screen

DVDPlay Systems / Redbox (Selectron) Screen Comparison

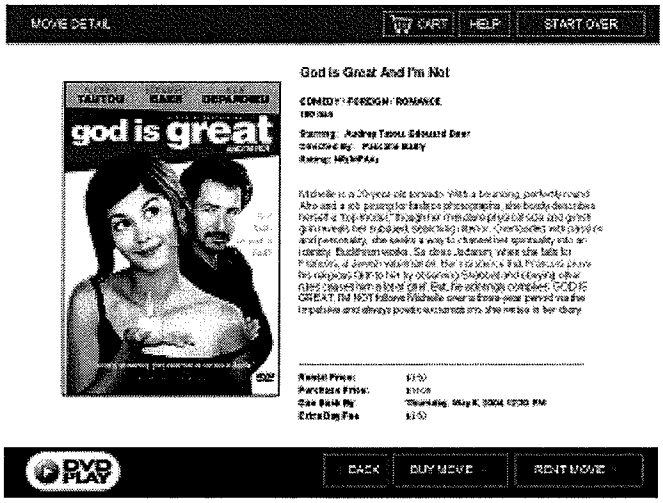


DVDPlay Systems Select Movie Screen

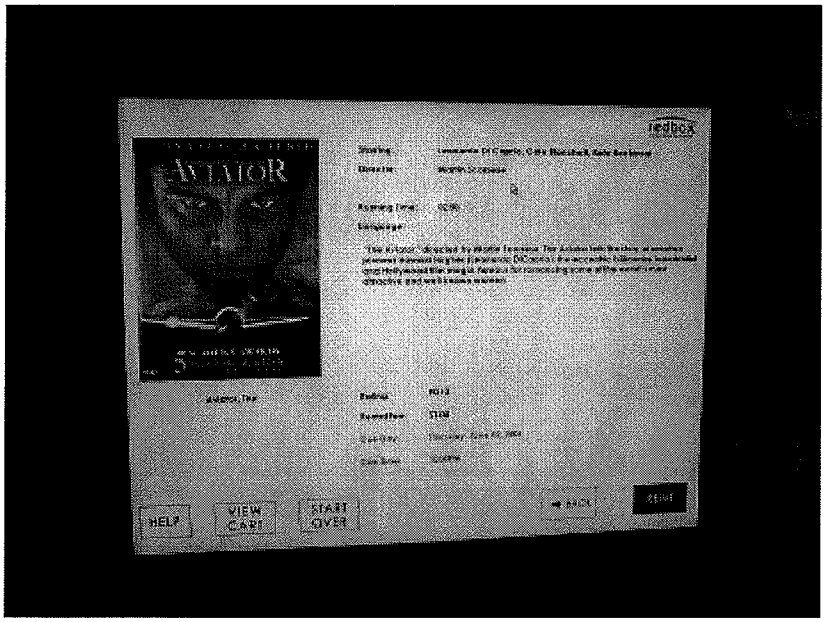


Redbox (Solectron) Select Movie Screen

DVDPlay Systems / Redbox (Selectron) Screen Comparison



DVDPlay Systems Detail Screen

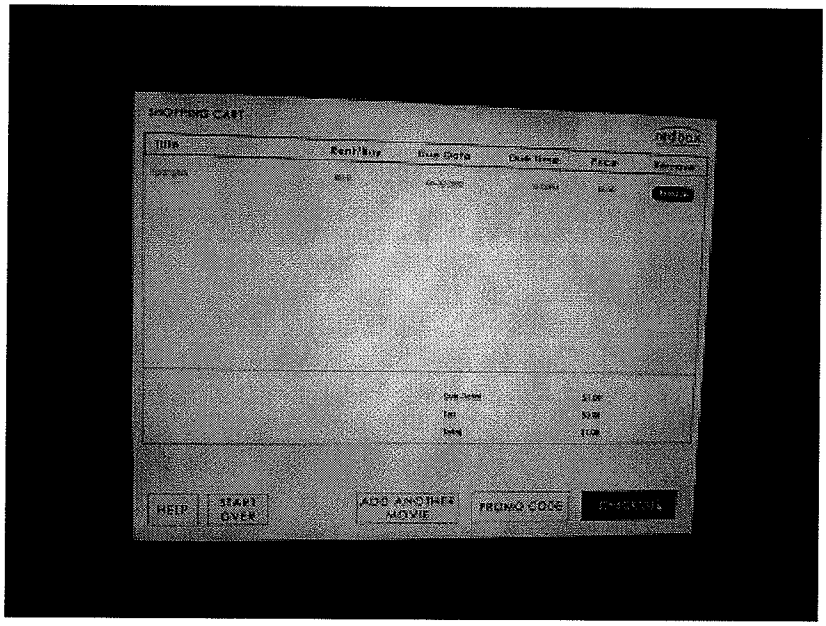


Redbox (Solectron) Detail Screen

DVDPlay Systems / Redbox (Selectron) Screen Comparison

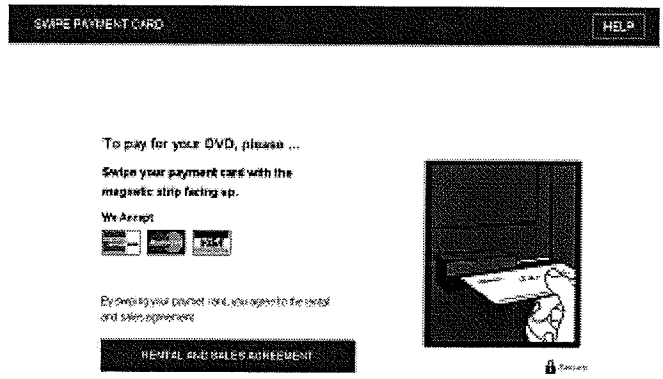


DVDPlay Systems Cart Screen



Redbox (Solectron) Cart Screen

DVDPlay Systems / Redbox (Selectron) Screen Comparison

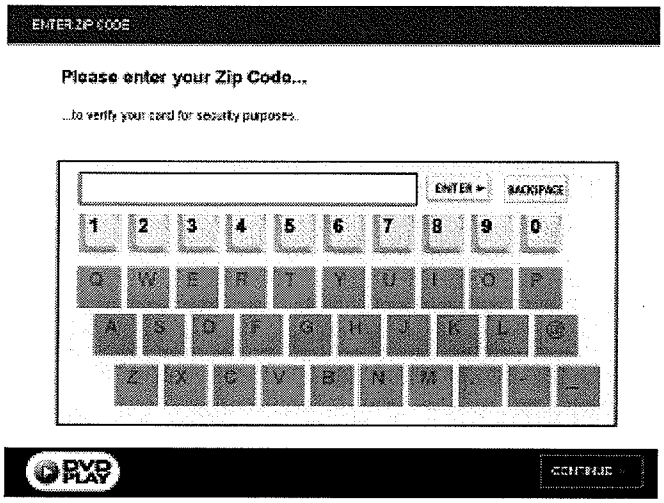


DVDPlay Systems Swipe Card Screen

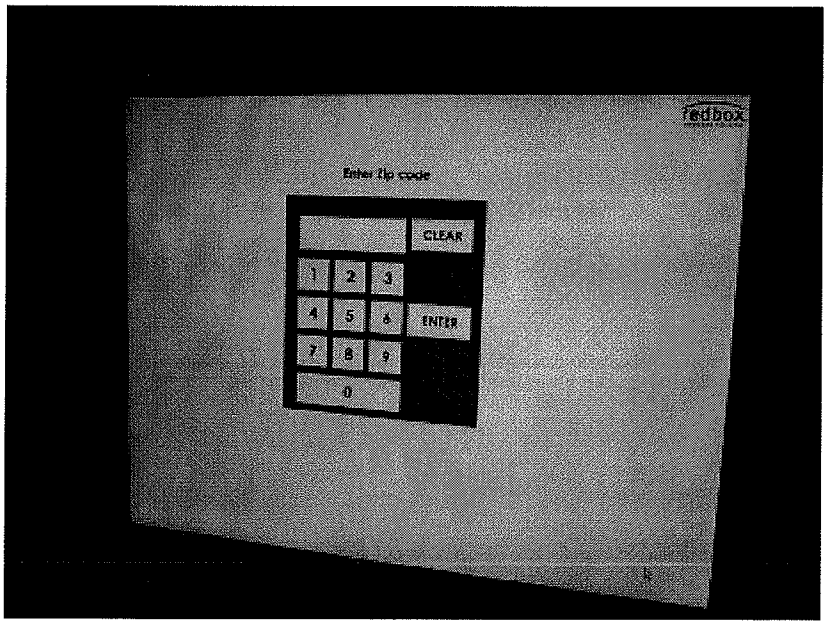


Redbox (Solectron) Swipe Card Screen

DVDPlay Systems / Redbox (Selectron) Screen Comparison

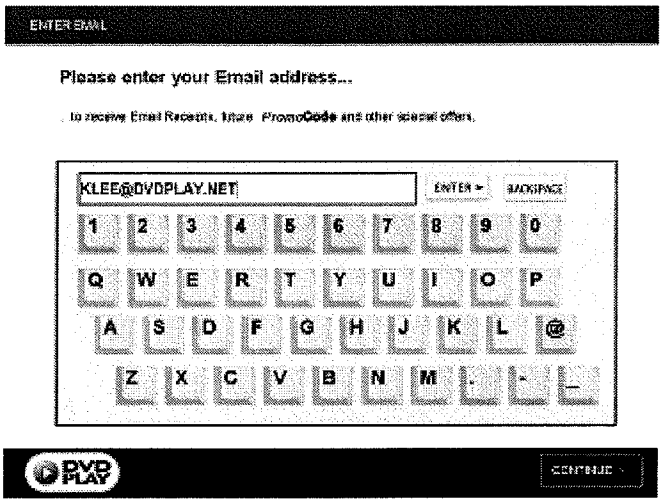


DVDPlay Systems Enter Zip Code Screen

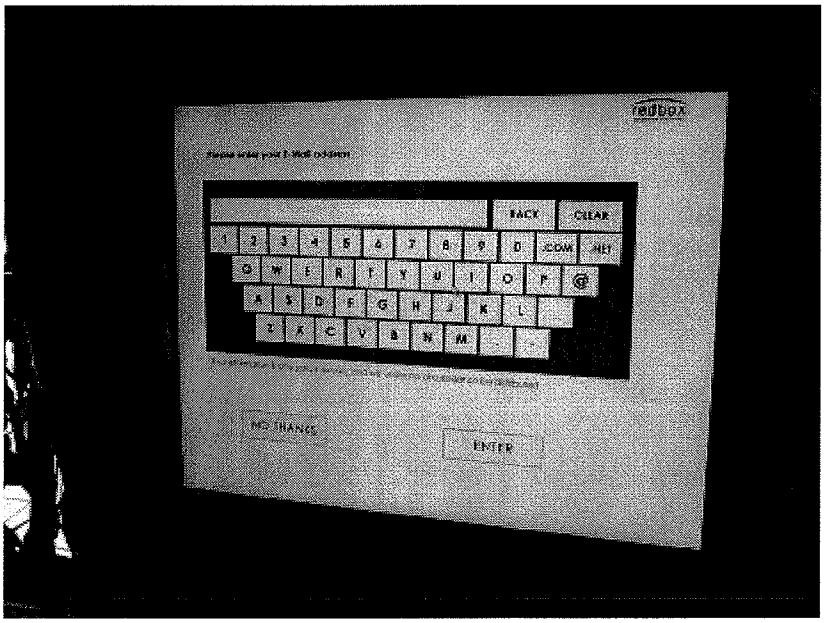


Redbox (Solectron) Enter Zip Code Screen

DVDPlay Systems / Redbox (Selectron) Screen Comparison



DVDPlay Systems Enter Email Screen



Redbox (Solectron) Enter Email Screen

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): November 17, 2005

COINSTAR, INC.

(Exact name of registrant as specified in its charter)

Delaware	**000-22555**	**94-3156448**
(State or other jurisdiction of incorporation)	**(Commission File No.)**	**(I.R.S. Employer Identification No.)**

1800 – 114 th Avenue SE
BELLEVUE, WA 98004
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (425) 943-8000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On November 17, 2005, Coinstar, Inc. (the "Company") entered into a LLC Interest Purchase Agreement (the "Agreement") by and among Redbox Automated Retail, LLC ("Redbox"), McDonald's Ventures, LLC and the Company.

In accordance with the Agreement, the Company will invest at closing $20 million in cash in Redbox in exchange for a 47.30% ownership interest in Redbox. If Redbox attains certain performance goals in the first year, the Company will invest an additional $12 million in Redbox, which will not affect the Company's ownership interest in Redbox. For one year following the two-year anniversary of closing the transaction, the Company, in its sole discretion, has the option to acquire a majority interest in Redbox.

Closing of the transaction is expected in the next thirty days and is subject to certain customary closing conditions.

The foregoing description of the Agreement does not purport to be complete and is qualified in its entirety by the terms and conditions of the Agreement. A copy of the Agreement is attached hereto as an exhibit and is incorporated herein by reference.

Item 8.01 Other Events.

The Company issued a press release on November 17, 2005. The full text of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K.

Item 9.01 Financial Statement and Exhibits.

(d) **Exhibits**

Exhibit No.	Description
2.1	LLC Interest Purchase Agreement dated November 17, 2005 by and among Redbox Automated Retail, LLC, McDonald's Ventures, LLC and Coinstar, Inc.*
99.1	Press Release issued by Coinstar dated November 17, 2005

* Certain exhibits and schedules in connection with the LLC Interest Purchase Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Coinstar agrees to provide the Commission a copy of any such exhibit or schedule upon request.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

COINSTAR, INC.

Date: November 17, 2005

By: /s/ David W. Cole
David W. Cole
Chief Executive Officer

Exhibit 2.1

LLC INTEREST PURCHASE AGREEMENT

Dated as of November 17, 2005

by and among

REDBOX AUTOMATED RETAIL, LLC,

MCDONALD'S VENTURES, LLC

and

COINSTAR, INC.

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Exhibit A Form of Redbox LLC Agreement

Exhibit B Form of Coinstar Agency Agreement

Exhibit C Form of Purchase, License and Service Agreement

Exhibit D Form of Ventures Agency Agreement

LLC INTEREST PURCHASE AGREEMENT

THIS LLC INTEREST PURCHASE AGREEMENT (this " Agreement "), dated as of November 17, 2005, is by and among Redbox Automated Retail, LLC, a Delaware limited liability company (" Redbox "), McDonald's Ventures, LLC, a Delaware limited liability company (" Ventures "), and Coinstar, Inc., a Delaware corporation (" Coinstar "). Each of the foregoing parties is referred to herein individually as a " Party " and together as the " Parties ."

W I T N E S S E T H:

WHEREAS, Redbox owns certain assets relating to and operates an automated DVD-vending business (the " Redbox Business ");

WHEREAS, Coinstar desires to purchase Class A membership interests (" Class A Interests ") in Redbox having the rights and obligations to be set forth in the Second Amended and Restated Limited Liability Company Agreement of Redbox, dated as of the Closing Date and substantially in the form attached hereto as **Exhibit A** (the " Redbox LLC Agreement "), all on the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, Redbox, Ventures and Coinstar desire to make certain representations, warranties, covenants and agreements in connection with the transactions contemplated herein.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements contained herein, the Parties agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions . As used in this Agreement, the following terms shall have the meanings set forth below:

" $37,500 Loss Claim " has the meaning set forth in Section 7.03(h).

" Affiliate " has the meaning set forth in Rule 12b-2 under the Exchange Act as in effect on the date hereof; provided , however , that notwithstanding the foregoing, Redbox shall not be considered an Affiliate of either Ventures or Coinstar, and Ventures or Coinstar, as the case may be, shall not be considered an Affiliate of Redbox.

" Agreement " has the meaning set forth in the preamble.

" Assumed Obligations " has the meaning set forth in Section 3.23(e).

" Authorizations " means (i) any and all certificates, permits, licenses, franchises, concessions, grants, consents, exemptions, approvals, orders, registrations, authorizations,

waivers or other approvals, variances or clearances from, or filings or registrations with, third parties (including Governmental Entities) and (ii) any and all waiting periods imposed by applicable Law.

" Benefit Plan " means any employment, consulting, personal service, retirement, pension, profit sharing, deferred compensation, stock bonus, savings, bonus, incentive, cafeteria, medical, dental, vision, hospitalization, life insurance, accidental death and dismemberment, medical expense reimbursement, dependent care assistance, tuition reimbursement, disability, sick pay, holiday, vacation, retention, termination, severance, change of control, stock purchase, stock option, restricted stock, phantom stock, stock appreciation rights, fringe benefit or other employee compensation or benefit plan, fund, policy, program, contract, agreement, arrangement, commitment or payroll practice of any kind (including any "employee benefit plan" as defined in Section 3(3) of ERISA).

" Business Day " means any day, other than a Saturday, Sunday or a day on which banking institutions in the City of Chicago are authorized or obligated by Law to close.

" Claim " has the meaning set forth in Section 7.03(c).

" Class A Interests " has the meaning set forth in the recitals.

" Closing " has the meaning set forth in Section 2.02(a).

" Closing Date " has the meaning set forth in Section 2.02(a).

" Closing Option Payment " has the meaning set forth in Section 6.06(a).

" Code " means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder, as in effect from time to time

" Coinstar " has the meaning set forth in the preamble.

" Coinstar Agency Agreement " means the agency agreement by and between Redbox and Coinstar, dated as of the Closing Date, authorizing Coinstar to act, among other things, as the exclusive marketing agent for Redbox at certain grocery chains, drug stores, mass merchants and warehouse clubs inside the United States, substantially in the form attached hereto as **Exhibit B** .

" Coinstar Option " has the meaning set forth in Section 6.07(a).

" Conditional Cash Consideration " has the meaning set forth in Section 2.01(b).

" Contributed Assets " has the meaning set forth in Section 3.23(a).

" Contributed Machines " has the meaning set forth in Section 3.22.

" Contribution Agreements " means the Contribution and Assumption Agreement, dated as of January 1, 2005, by and among Ventures, McDonald's Corporation and Redbox (the " First Contribution Agreement "), the Second Contribution and Assumption Agreement, dated as of July 1, 2005, by and among Ventures, McDonald's Corporation and Redbox (the " Second Contribution Agreement "), and the Contribution and Assumption Agreement, dated as of July 31, 2005, between GAM and Redbox (the " GAM Contribution Agreement ").

" Derivative Securities " of any Person means any subscription, purchase, exchange or conversion rights, any options, warrants or other agreements, securities, contracts or commitments of any kind obligating that Person to issue, grant, deliver or sell, or cause to be issued, granted, delivered or sold, any Equity Securities of that Person.

" DVD Kiosks " means any DVD dispensing kiosk used in the conduct of the Redbox Business to dispense and handle returns of DVDs and to process customer billing, including the DVD machine, merchandising structure, accessories and other related tangible and intangible property.

" DVDPlay " has the meaning set forth in Section 3.09(c).

" DVDPlay Patent " has the meaning set forth in Section 3.09(d).

" DVDXpress " has the meaning set forth in Section 5.09.

" DVDXpress Credit Agreement " has the meaning set forth in Section 5.09.

"DVDXpress Offer Terms" has the meaning set forth in Section 6.06(b)(ii).

" DVDXpress Option " has the meaning set forth in Section 5.09.

" DVDXpress Transferred Rights " has the meaning set forth in Section 6.06(b)(i).

" DVDXpress Rights " has the meaning set forth in Section 6.06(a).

" Environmental Laws " means any applicable federal, state, local or other law, statute, rule, ordinance or regulation or any common law as in effect as of the date hereof pertaining to protection of human health from exposure to pollutants or contaminants or to protection or remediation of the environment, including the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. § 9601 et seq., as amended by the Superfund Amendments and Reauthorization Act of 1986; the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. § 6901 et seq.; the Federal Clean Air Act, 42 U.S.C. § 7401-7626; the Federal Water Pollution Control Act and Federal Clean Water Act of 1977, as amended, 33 U.S.C. § 1251 et seq.; the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. § 135 et seq., as amended by the Federal Environmental Pesticide Control Act; the Federal Toxic Substances Control Act, 15 U.S.C. § 2601 et seq.; the Federal Safe Drinking Water Act, 42 U.S.C. § 300(f) et seq.; the Emergency Planning and Community Right-To-Know Act of 1986, 42 U.S.C. § 11001 et seq.; and the Occupational Safety and Health Act of 1970, 29 U.S.C. § 651 et seq.

" Equity Securities " of any Person means any and all common stock, preferred stock and any other class of capital stock of, and any partnership or limited liability company interests in, such Person or any other similar interests of any Person that is not a corporation, partnership or limited liability company.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder, as in effect from time to time.

" Exchange Act " means the U.S. Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated thereunder, as in effect from time to time.

" First Contribution Agreement " has the meaning set forth in the definition of Contribution Agreements set forth above.

" GAAP " has the meaning set forth in Section 3.06(a).

" GAM " means GetAMovie, Inc., an Illinois corporation.

" GAM Contribution Agreement " has the meaning set forth in the definition of Contribution Agreements set forth above.

" GARB " means GARB, LLC, a Delaware limited liability company.

" Governmental Entity " means any government or political subdivision or department thereof, any governmental or regulatory body, commission, board, bureau, agency or instrumentality, or any court or arbitrator or alternative dispute resolution body, in each case whether federal, state, local or foreign.

" Indemnified Coinstar Parties " has the meaning set forth in Section 7.03(a).

" Indemnified Redbox Parties " has the meaning set forth in Section 7.03(b).

" Initial Cash Consideration " has the meaning set forth in Section 2.01(b).

" Intellectual Property " means (a) the following intellectual property and proprietary rights worldwide: (i) trademarks, domain names, domain name registrations, service marks and trade names, together with all goodwill associated therewith (collectively, " Trademarks "); (ii) patents and patent applications and all associated inventions, and any and all divisions, continuations, continuations-in-part, reissues, continuing patent applications, reexaminations, and extensions thereof, any counterparts, utility models, certificates of invention, certificates of registration and like rights (collectively, " Patents "); (iii) writings and other works of authorship, if copyrightable; and (iv) trade secrets and other confidential business information and rights to limit the use or disclosure thereof by any Person; and (b) for purposes of this definition, the following technology: software (including data files, source code, object code, application programming interfaces, databases and other software-related specifications

and documentation), inventions, discoveries, improvements, specifications, embodiments, algorithms, formulae, processes, designs, schematics, drawings, technical information, data, ideas, know-how, show-how and the like.

" Interests " has the meaning set forth in Section 2.01(a).

" IRS " means the United States Internal Revenue Service.

" Knowledge of Redbox " means, with respect to any matter in question, the actual knowledge, after reasonable inquiry, of Chris Catalano, Gregg Kaplan, Brian Rady, Ryan Miller, Franz Kuehnrich and Mitch Lowe.

" Law " means any law, treaty, statute, common law, ordinance, code, rule, regulation, judgment, decree, order, writ, award, injunction or determination of any Governmental Entity.

" Liability " or " Liabilities " means, with respect to any Person, all debts, claims, liabilities, obligations, interests, damages and expenses of every kind and nature, whether known or unknown, liquidated or unliquidated, direct or indirect, absolute, accrued, contingent or otherwise, regardless of when such debt, claim, liability, obligation, interest, damage or expense arose or might arise, any obligations with respect to dividends or other distributions in respect of capital stock, stock appreciation rights, under the Consolidated Omnibus Budget Reconciliation Act of 1985, Section 4980B of the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder, as in effect from time to time, or Part 6 of Subtitle B of Title I of ERISA, as amended from time to time, and the rules and regulations promulgated thereunder, as in effect from time to time.

" Lien " means any mortgage, pledge, lien, security interest, claim, voting agreement (including any conditional sale agreement, title retention agreement, restriction or option having substantially the same economic effect as the foregoing) or encumbrance of any kind, character or description whatsoever.

" Losses " has the meaning set forth in Section 7.03(a).

" Material Adverse Effect " means, with respect to any Person, any change, circumstance or effect that, individually or in the aggregate with all other changes, circumstances and effects, is or would reasonably expected to be, materially adverse to (i) the business, assets, properties, condition (financial or otherwise) or results of operations of such Person and its subsidiaries taken as a whole or (ii) if such Person is a Party, the ability of such Party or any of its subsidiaries to consummate the transactions contemplated by, and to perform its obligations under, this Agreement.

" Material Contracts " has the meaning set forth in Section 3.12.

" McDonald's System " has the meaning set forth in Section 6.05(a).

" McDonald's USA " means McDonald's USA, LLC, a Delaware limited liability company.

" Option Period " has the meaning set forth in Section 6.07(a).

" Organic Change " means, with respect to Redbox, the occurrence of any of the following events: (i) any "person" or "group" (as such terms are used in Section 13(d)(3) of the Exchange Act) becomes the beneficial owner, directly or indirectly, of more than fifty percent (50%) of the total voting power of the voting securities of Redbox, whether as a result of issuance of securities, any merger, consolidation, recapitalization, tender offer or exchange offer, reclassification, liquidation or dissolution of Redbox or otherwise; (ii) during any period of two (2) consecutive years, individuals who at the beginning of such period constituted a majority of the board of managers or any similar governing body (together with any new managers or members of any similar governing body whose election by the board of managers or any similar governing body or whose nomination for election by the holders of membership interests or other holders of Equity Securities was approved by a vote of a majority of the members of the board of managers or members of any similar governing body then still in office (A) who were either managers at the beginning of such period or (B) whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of managers or such similar governing body then in office; (iii) the merger or consolidation of Redbox with or into another Person, or the sale of all or substantially all the assets of Redbox to another Person, and, in the case of any such merger or consolidation, the voting securities of Redbox that are outstanding immediately prior to such transaction and which represent one hundred percent (100%) of the aggregate voting power of the voting securities of Redbox are changed into or exchanged for cash, securities or property, unless pursuant to such transaction such securities are changed into or exchanged for, in addition to any other consideration, securities of the surviving Person or transferee that represent immediately after such transaction at least a majority of the aggregate voting power of the voting securities of the surviving Person or transferee or a Person controlling such surviving Person or transferee; (iv) the commencement of a voluntary case under any chapter of the federal bankruptcy code, or the consent to the commencement of an involuntary case against it under the federal bankruptcy code, or the failure to cause such case to be dismissed within sixty (60) days; or (v) the institution of proceedings for liquidation, rehabilitation, readjustment, moratorium or composition (or for any related or similar purpose) under any Law (other than the federal bankruptcy code) relating to financially distressed debtors, their creditors or their property, or the consent to the institution of any such proceedings against it, or the failure to cause such proceedings to be dismissed within sixty (60) days.

" Party " or " Parties " has the meaning set forth in the preamble.

" Patents " has the meaning set forth in the definition of "Intellectual Property" set forth above.

" Permitted Liens " means (i) statutory liens for current Taxes, assessments or other governmental charges not yet delinquent or the amount or validity of which is being contested in good faith by appropriate Proceedings, provided that an appropriate reserve is established therefor, (ii) mechanics', materialmen's, carriers' and other similar Liens securing indebtedness

that is less than $50,000, is not yet due and payable, and was incurred in the ordinary course of business, and (iii) such other Liens that relate to the purchase and installation of DVD Kiosks (exclusive of the DVD Kiosks contributed to Redbox by and on behalf of Ventures that Ventures treated as a capital contribution under Section 3.01(a) of the Redbox LLC Agreement) and DVDs and secures indebtedness that is not yet due and payable and was incurred in the ordinary course of business.

" Person " means any individual, corporation, company, association, partnership, limited liability company, joint venture, trust, unincorporated organization or Governmental Entity.

" Personal Property " has the meaning set forth in Section 3.18(b).

" Private Placement Legend " has the meaning set forth in Section 6.04.

" Pro Rata Share " has the meaning set forth in Section 7.03(i).

" Proceeding " has the meaning set forth in Section 3.10.

" Proprietary Information " means (a) any information, material or documents relating to Ventures, Redbox, any of their Affiliates and each of their businesses, assets, financial condition, operations, products, promotions, supplier relationships, trade secrets, know-how, strategies and prospects; (b) any information, material or documents obtained by Coinstar or its Affiliates during the course of meetings or discussions with Redbox, Ventures and their respective Affiliates and Representatives; (c) any research, work-product, findings, analyses or recommendations produced by Coinstar or its Affiliates for or in conjunction with Redbox, Ventures and their respective Affiliates; (d) the existence of this Agreement and any other agreement, or any negotiations relating to such agreements, between Redbox, Ventures and their respective Affiliates and Coinstar and its Affiliates; and (e) any information, material or documents that Coinstar or its Affiliates know or have reason to know is considered confidential or proprietary by Redbox, Ventures or their respective Affiliates; provided , however , that Proprietary Information shall not include any information that is generally available to the public other than as a result of disclosure by Coinstar or its Affiliates.

" Purchase, License and Service Agreement " means the agreement by and between McDonald's USA and Redbox, dated as of the Closing Date, for (i) the right for McDonald's USA to purchase DVD Kiosks, (ii) the license from McDonald's USA to Redbox for the right to place DVD Kiosks at selected McDonald's restaurants in the United States, and (iii) the service and operation of such DVD Kiosks by Redbox, substantially in the form attached hereto as **Exhibit C** .

" Real Property " has the meaning set forth in Section 3.18(a).

" Redbox " has the meaning set forth in the preamble.

" Redbox Assets " has the meaning set forth in Section 3.05(a).

" Redbox Business " has the meaning set forth in the recitals.

" Redbox Financial Statements " has the meaning set forth in Section 3.06(a).

" Redbox Interim Balance Sheet " has the meaning set forth in Section 3.06(a).

" Redbox Interim Balance Sheet Date " has the meaning set forth in Section 3.06(a).

" Redbox IP " has the meaning set forth in Section 3.09(a).

" Redbox LLC Agreement " has the meaning set forth in the recitals.

" Remedial Action " means any investigation, site assessment, monitoring or other evaluation of conditions relating to the environment at a site, or any clean-up, treatment, containment, removal, restoration, corrective action or remedial work required under any Environmental Law.

" Representative " or " Representatives " means, with respect to any Person, any of such Person's officers, directors, employees, agents, attorneys, accountants, consultants, equity financing partners or financial advisors or other Person associated with, or acting on behalf of, such Person.

" Requested Books and Records " has the meaning set forth in Section 3.14.

" Second Contribution Agreement " has the meaning set forth in the definition of Contribution Agreements set forth above.

" Securities Act " means the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder, as in effect from time to time.

" Services Agreement " means the Services Agreement by and between McDonald's Corporation and Redbox, dated as of the Closing Date, pursuant to which McDonald's Corporation will provide certain transitional services to Redbox.

" Share Purchase Agreement " has the meaning set forth in Section 7.03(i).

" Tax " or " Taxes " means all taxes, including any interest, liabilities, fines, penalties or additions to tax that may become payable in respect thereof, imposed by any Governmental Entity, which taxes shall include income taxes (including U.S. federal income taxes and state, local and foreign income taxes), payroll and employee withholding taxes, unemployment insurance, social security, sales and use taxes, value added taxes, business license taxes, environmental taxes, excise taxes, franchise taxes, gross or net receipts taxes, occupation taxes, real and personal property taxes, ad valorem taxes, stamp taxes, transfer taxes, capital taxes, import duties, withholding taxes, workers' compensation and other obligations of the same or of a similar nature whether arising before, on or after the date hereof.

" Tax Return " means any report, return, declaration, claim for refund or statement (including any information report, return or statement) in connection with Taxes, including any

schedule or attachment thereto or amendment thereof, required to be supplied to any Governmental Entity exercising any authority to impose, regulate, levy, assess or administer the imposition of any Tax.

" Test Markets " means the following eight test markets in which McDonald's USA or its Affiliates has placed or plans to place DVD Kiosks: Baltimore, Denver, Houston, Minneapolis/St. Paul, Las Vegas, Salt Lake City, St. Louis and Washington, D.C.

" Threshold Amount " has the meaning set forth in Section 7.03(h).

" Total Cash Contributions " has the meaning set forth in Section 2.01(b).

" Trademarks " has the meaning set forth in the definition of "Intellectual Property" set forth above.

" Transaction Agreements " means this Agreement, the Redbox LLC Agreement, the Purchase, License and Service Agreement, the Coinstar Agency Agreement, the Ventures Agency Agreement and the Services Agreement.

" Transferred Class A Interests " has the meaning set forth in Section 6.07(a).

" USPTO " has the meaning set forth in Section 3.09(d).

" Ventures " has the meaning set forth in the preamble.

" Ventures Agency Agreement " means the agency agreement, dated as of the Closing Date, by and between Redbox and Ventures authorizing Ventures to act as the exclusive marketing agent for Redbox at grocery chains, drug stores, mass merchants and warehouse clubs outside the United States, substantially in the form attached hereto as **Exhibit D** .

SECTION 1.02. General Interpretive Principles . Whenever used in this Agreement, except as otherwise expressly provided or unless the context otherwise requires, any noun or pronoun shall be deemed to include the plural as well as the singular and to cover all genders. The name assigned to this Agreement, the Section captions and the titles of all Exhibits and Schedules used herein are for convenience of reference only and shall not be construed to affect the meaning, construction or effect hereof. Unless otherwise specified, the terms "hereof," "herein" and similar terms refer to this Agreement as a whole (including the Exhibits and Schedules hereto), and references herein to Articles, Sections, Exhibits or Schedules refer to Articles, Sections, Exhibits or Schedules of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

ARTICLE II

LLC INTEREST PURCHASE AND SALE

SECTION 2.01. Purchase and Sale of the Interests .

(a) Upon the terms and subject to the conditions set forth in this Agreement, and in reliance upon the representations and warranties hereinafter set forth, at the Closing Redbox shall sell and deliver to Coinstar, and Coinstar shall purchase and accept from Redbox, a number of Class A Interests that will result in Coinstar owning forty-seven and 30/100 percent (47.30%) of the outstanding Class A Interests immediately after the Closing (the " Interests "), free and clear of all Liens, and together with all rights and obligations attaching thereto.

(b) The aggregate consideration to be paid by Coinstar for the Interests shall be an amount equal to (i) $20,000,000 (the " Initial Cash Consideration "), payable at the Closing, plus (ii) $12,000,000 (the " Conditional Cash Contribution "), payable on the one-year anniversary of the Closing Date, if all of the conditions set forth in Section 2.01(c) are met. Coinstar's " Total Cash Contribution " equals its Initial Cash Contribution plus its Conditional Cash Contribution, if made.

(c) Coinstar shall pay the Conditional Cash Contribution to Redbox, in immediately available funds by wire transfer as directed pursuant to instructions delivered by Redbox to Coinstar at least two (2) Business Days prior to the one-year anniversary of the Closing Date, if, on or prior to such anniversary, each of the following conditions is then satisfied:

(i) Redbox has either:

(A) installed at least 1,750 DVD Kiosks, including at least 750 DVD Kiosks deployed prior to or after Closing in the Test Markets, in locations owned or operated by any third party, including McDonald's USA and any Affiliates of Ventures; or

(B) (1) installed in locations owned or operated by McDonald's USA at least 750 DVD Kiosks in the Test Markets and (2) (x) installed an additional 1,000 DVD Kiosks in locations owned or operated by any third party, including any Affiliate of Ventures, and/or (y) obtained a legal, valid and binding obligation of any third party, including any Affiliate of Ventures, on terms and conditions approved by the Redbox Board of Managers to install no later than 180 days after the one-year anniversary of the Closing Date, an additional 1,000 DVD Kiosks (including any DVD Kiosks installed in locations owned or operated by McDonald's USA, including in the Test Markets, in excess of the 750 DVD Kiosks required pursuant to clause (A) above);

(ii) McDonald's USA has complied, in all material respects, with the terms of the Purchase, License and Service Agreement, from the Closing Date through the one-year anniversary of the Closing Date; provided that Redbox has not committed a material breach of the Purchase, License, and Service Agreement (that has not been cured) prior to

any breach of the Purchase, License, and Service Agreement by McDonald's USA that otherwise would legally excuse McDonald's USA from performing its obligations under the Purchase, License and Service Agreement (unless the material breach by Redbox was caused, or was not cured, by actions taken by Ventures as a member of Redbox or by Ventures' representatives in exercising their rights on the Redbox Board of Managers); provided , further that if this condition has not been satisfied, and its failure is the basis for Coinstar's not funding the Conditional Cash Contribution, Coinstar shall provide to McDonald's USA a written notice detailing the material breaches, and McDonald's USA shall have a period of ninety (90) days after the receipt of such written notice to cure the breaches, and should such cure be effectuated within such time period, Coinstar shall fund the Conditional Cash Contribution no later than five (5) Business Days after confirmation that the cure has been effectuated; and

(iii) Redbox has complied, in all material respects, with the terms of the Coinstar Agency Agreement, from the Closing Date through the one-year anniversary of the Closing Date (unless such breach of the Coinstar Agency Agreement by Redbox was caused by actions taken by Coinstar as a member of Redbox or by Coinstar's representatives in exercising their rights on the Redbox Board of Managers), provided that Coinstar has not committed a material breach of the Coinstar Agency Agreement (that has not been cured) prior to any breach of the Coinstar Agency Agreement by Redbox that otherwise would legally excuse Redbox from performing its obligations under the Coinstar Agency Agreement; provided , further that if this condition has not been satisfied, and its failure is the basis for Coinstar's not funding the Conditional Cash Contribution, Coinstar shall provide to Redbox a written notice detailing the material breaches, and Redbox shall have a period of ninety (90) days after the receipt of such written notice to cure the breaches, and should such cure be effectuated within such time period, Coinstar shall fund the Conditional Cash Contribution no later than five (5) Business Days after confirmation that the cure has been effectuated.

SECTION 2.02. Closing .

(a) The closing of the transactions contemplated by Section 2.01 (the " Closing ") shall take place at the offices of Ventures on a mutually agreeable date that is no later than December 1, 2005 (the " Closing Date "). The Closing is conditioned upon:

(i) Ventures and Coinstar agreeing upon a term sheet, in detail reasonably satisfactory to both Parties, outlining the terms upon which the Company may issue Class B Interests to designated employees, or classes of employees, of the Company and specifying the other types of employee incentive compensation that may be made available, with the Redbox Board of Manager's approval in accordance with the Redbox LLC Agreement, after the Closing to motivate employee performance;

(ii) the delivery of disclosure schedules by Redbox, effective as of the Closing Date, modifying the representations and warranties of Article III, that are in a form acceptable to Coinstar and in reliance upon which Coinstar is prepared to close the transactions contemplated by this Agreement. Prior to the date hereof, Ventures has disclosed in writing or orally to Coinstar certain information relating to matters covered by the representations and warranties of Article III and Article IV and has advised Coinstar and its legal counsel that, to the Knowledge of Redbox, based upon information currently available to them, the disclosure

schedules that Redbox will tender for attachment to this Agreement will not disclose any matters of a material nature that have not already been disclosed by the written and oral communications previously made to Coinstar during its due diligence review. If the disclosure schedules delivered by Redbox contain any matter not previously disclosed by Ventures or Redbox to Coinstar that is of a material nature, Coinstar shall not be obligated to accept such disclosure schedules. Matters requiring disclosure on the disclosure schedules may, however, arise after the execution of this Agreement and prior to the Closing, and should that occur, Redbox and Ventures may, to the extent applicable, add those items to modify the applicable disclosures, and Closing will be subject to Coinstar's acceptance of the modified disclosures; and

(iii) Redbox writing off fifty percent (50%) of the book value, as stated on the Redbox Interim Balance Sheet, of the DVD Kiosks manufactured by DVDPlay, provided that such write-off shall be allocated between Ventures, GAM and GARB based on the percentage of outstanding Class A Interests owned by each such member of Redbox.

(b) At the Closing:

(i) Redbox shall deliver to Coinstar (A) a certificate representing the Interests, and (B) a copy of each Transaction Agreement to which it is a party duly executed by it.

(ii) Ventures shall deliver to Coinstar (A) a copy of each Transaction Agreement to which it or any of its Affiliates is a party duly executed by it or such Affiliates and (B) the certified statement required by Section 3.22 confirming Redbox's receipt of Venture's Capital Contributions with a minimum value of $18,000,000.

(iii) Coinstar shall deliver to Redbox (A) the Initial Cash Consideration, in immediately available funds by wire transfer as directed pursuant to instructions delivered by Redbox to Coinstar at least two (2) Business Days prior to the Closing Date, and (B) a copy of each Transaction Agreement to which it is a party duly executed by it.

(iv) Redbox has delivered to Coinstar evidence confirming that all necessary registrations, filings, applications and notices have been made with the United States Patent and Trademark Office or any other domestic or foreign office to effectuate the transfer to Redbox of all of the right, title and interest to the Patents and the Trademarks that have been contributed to Redbox pursuant to the Contribution Agreements.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF REDBOX

Redbox hereby represents and warrants to, and agrees with, Coinstar that, as of the Closing Date:

SECTION 3.01. Organization and Qualification of Redbox . Redbox is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware and has all limited liability company power and authority to own or lease and operate its properties and assets and to conduct the Redbox Business as it is currently being conducted. On the Closing Date Redbox will deliver to Coinstar a complete and correct copy of the Second Amended and Restated Limited Liability Company Agreement of Redbox, dated as of the Closing Date, which shall be in full force and effect upon the consummation of

the transactions contemplated by this Agreement, and which will supersede in all respects all prior versions of such agreement.

SECTION 3.02. Authorization of Agreements .

(a) Redbox has all necessary power and authority to execute, deliver and perform its obligations under the Transaction Agreements to which it is a party. The execution, delivery and performance of the Transaction Agreements to which it is a party, and the consummation by Redbox of the transactions contemplated thereby, have been duly authorized by all necessary action on the part of Redbox.

(b) The Transaction Agreements to which it is a party have been duly executed and delivered by Redbox, and each such agreement constitutes a legal, valid and binding obligation of Redbox, enforceable against Redbox in accordance with its terms, subject to limitations imposed by applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting the rights and remedies of creditors generally and to general principles of equity.

SECTION 3.03. Consents; No Conflicts .

(a) No Authorization from, or registration, declaration or filing with, any Governmental Entity is required to be made or obtained by Redbox in connection with the execution, delivery and performance of the Transaction Agreements to which Redbox is a party and the consummation of the transactions contemplated thereby.

(b) Except as set forth on **Schedule 3.03(b)** , the execution and delivery of the Transaction Agreements to which Redbox is a party do not, and the performance of the obligations set forth therein and the consummation of the transactions contemplated thereby will not, (i) violate or conflict with any term, condition or provision of the organizational documents of Redbox; (ii) give rise to any preemptive rights or rights of first refusal on behalf of any Person under any applicable Law or any provision of the organizational documents or other instrument applicable to Redbox; (iii) conflict with, contravene or result in a breach or violation of any of the terms or provisions of, or constitute a default (with or without notice or the passage of time or both) under, or result in or give rise to a right of termination, cancellation, acceleration or modification of any right or obligation under, or require any consent, waiver or approval under, any note, bond, debt instrument, indenture, mortgage, deed of trust, lease, loan agreement, joint venture agreement, development agreement, contract, license or any other agreement, instrument or obligation to which Redbox is a party or by which Redbox or any of its properties are bound; or (iv) violate or conflict with any Law applicable to Redbox or the Redbox Business.

SECTION 3.04. Capitalization of Redbox; Securities; No Subsidiaries .

(a) Immediately prior to the execution and delivery of this Agreement, (i) the authorized membership interests of Redbox consists of 100 Class A Interests, all of which are issued and outstanding; provided that additional Class A Interests will be issued to Ventures on or prior to Closing due to additional capital contributions made by Ventures prior to Closing and the number of authorized, issued and outstanding membership interests of Redbox will be increased between the date of this Agreement and the Closing Date so that Class B Interests may be issued at the Closing Date, as contemplated by the Redbox LLC Agreement; (ii)

Schedule 3.04(a) sets forth a complete and correct list of all holders of Class A Interests, including each such Person's name and the number of Class A Interests held by such Person as of the Closing Date; and (iii) all of such issued and outstanding Class A Interests are duly authorized, validly issued, fully paid and nonassessable, and are free and clear of all Liens.

(b) Other than as may be issued at the Closing in accordance with any employee incentive compensation referred to in Section 2.02(a), there are no authorized or outstanding (or obligations to authorize or issue) Derivative Securities of Redbox and there are no outstanding or authorized interest appreciation, phantom interest, profit participation or similar rights with respect to Redbox.

(c) No Person has any right to require Redbox to register securities of Redbox under the Securities Act, and other than the Redbox LLC Agreement there are no shareholder or similar agreements to which Redbox is a party. There are no voting trusts, proxies or other agreements or understandings with respect to voting the membership interests of Redbox.

(d) The Interests are duly authorized, and when issued to Coinstar pursuant to this Agreement will be validly issued, fully paid (except for the Conditional Capital Contribution, if it becomes payable) and nonassessable and will be free and clear of all Liens. Upon issuance, the Interests shall represent forty-seven and 30/100 percent (47.30%) of all outstanding Class A Interests.

(e) Redbox does not have any subsidiaries, as defined in Rule 405 promulgated under the Securities Act.

SECTION 3.05. Title to Redbox Assets; Liens; Condition of Redbox Assets .

(a) Immediately preceding and following the Closing, Redbox will have good, valid and marketable title to, or a good and valid lease, license or other similar right in, each of the assets used in the conduct of the Redbox Business (collectively the " Redbox Assets "), free and clear of all Liens other than Permitted Liens.

(b) Except for the Permitted Liens, the Redbox Assets are not subject to any Liens and, there are no facts, events or circumstances which, with the passage of time or the giving of notice or both, would result in or give rise to the creation or imposition of any Lien on the Redbox Assets.

SECTION 3.06. Financial Statements .

(a) Redbox has delivered to Coinstar correct and complete copies of the following financial information, which are set forth in **Schedule 3.06(a)** (collectively, the " Redbox Financial Statements "): annual income statement for 2004; monthly and year-to-date income statements for June 2005, July 2005, August 2005, September 2005 and October 2005; balance sheets for June 2005, July 2005, August 2005, September 2005 and October 2005; and cash flow statements for June 2005, July 2005, August 2005 and September 2005; and the Redbox interim balance sheet, dated as of October 31, 2005 (the " Redbox Interim Balance Sheet " and such date, the " Redbox Interim Balance Sheet Date "). The Redbox Financial Statements were prepared from the books and records kept by

Redbox for the Redbox Business and fairly present the financial position of the Redbox Business as of their respective dates and the results of operations of the Redbox Business for the respective years or periods then ended in accordance with U.S. generally accepted accounting principles consistently applied during the periods involved, except as indicated in such statements or in the notes thereto (" GAAP "). Each accrual reflected in the Redbox Financial Statements is adequate to meet the pro rata portion of the underlying Liability accrued as of the date of each Redbox Financial Statement (except to the extent corrected in any subsequent Redbox Financial Statement). The foregoing balance sheets reflect all properties and assets, real, personal or mixed, that are used by Redbox in the Redbox Business and are required to be reflected on such balance sheet pursuant to GAAP.

(b) As of the Closing Date, Redbox owes no outstanding debt to, and has no Liabilities to, Ventures, McDonald's Corporation, McDonald's USA or any of their respective Affiliates, other than certain obligations owed under the Transaction Agreements (which will be effective as of the Closing Date).

SECTION 3.07. Undisclosed Liabilities . Since the Redbox Interim Balance Sheet Date, Redbox has not incurred any Liabilities outside of the ordinary course of business that would, individually or in the aggregate, have a Material Adverse Effect on Redbox.

SECTION 3.08. Absence of Certain Changes . Except for transactions contemplated by the Transaction Agreements, transactions related to the contribution of assets from Ventures or GAM to Redbox or transactions contemplated by the Share Purchase Agreement by and among Ventures, Redbox, GAM, GARB and the GAM shareholders party thereto, dated as of July 1, 2005, and except as set forth on **Schedule 3.08** , from the Redbox Interim Balance Sheet Date to the Closing Date, Redbox has conducted the Redbox Business in the ordinary and usual course, and there has not occurred any of the following:

(i) any authorization, creation (by way of reclassification or otherwise), issuance or sale of any Equity Securities or Derivative Securities of Redbox, except for Class A Interests issued to Ventures for additional capital contributions to Redbox prior to the Closing Date (which issuance is reflected in the number of Class A Interests identified on Schedule 3.04(a));

(ii) any acquisition or redemption, directly or indirectly, of any Equity Securities of Redbox;

(iii) any split or combination of the Equity Securities of Redbox, or the declaration, set aside or payment of any dividend or distribution (whether in cash, stock or property) on any of its membership interests;

(iv) any acquisition, assignment, transfer, conveyance, license, commitment or disposition of assets by Redbox having a fair value or for a purchase price in excess of $100,000, in the aggregate, other than acquisitions or dispositions made in the ordinary course of business or dispositions of obsolete or surplus assets, including any DVD-

dispensing machines made by DVDPlay, for cash consideration in amounts equal to the fair market value thereof;

(v) any violation, breach or default of, or taking or failing to take any action that (with or without notice or lapse of time or both) would constitute a violation or breach of, or default under, any term or provision of any contract to which Redbox is a party or by which its assets are bound, whether such breach or default is on the part of Redbox or, to the Knowledge of Redbox, any other party or parties to such contract;

(vi) any incurrence or assumption of any indebtedness, entry into any financing arrangements or modification of the terms of any existing indebtedness or financing arrangements;

(vii) any assumption, guarantee, endorsement or otherwise becoming liable or responsible (whether directly, contingently or otherwise) for any Liabilities of any other Person;

(viii) any loans, advances or capital contributions to, or investments in, any other Person;

(ix) any incurrence of any Liens on any of the Redbox Assets other than Permitted Liens;

(x) any change to Redbox's accounting policies and practices;

(xi) the granting of any stock-related, performance or similar awards or bonuses;

(xii) any forgiveness of any loans to employees, officers or directors, members or any of their respective Affiliates;

(xiii) any entry into any new, or amendment to any existing, employment, severance, consulting or salary continuation agreements with any members, officers, directors or employees, or granting of any increases in the compensation or benefits payable to members, officers, directors or employees;

(xiv) any entry into, amendment of or extension of any collective bargaining or other labor agreement;

(xv) any adoption, amendment or termination of any employee benefit plan or arrangement;

(xvi) any settlement of or agreement to settle any Proceeding (including any Proceeding relating to this Agreement or the transactions contemplated hereby) for amounts that are in excess of $25,000, in the aggregate;

(xvii) any damage, destruction, theft or other casualty loss (whether or not covered by insurance) with respect to the Redbox Assets;

(xviii) the occurrence of, or any adoption of a plan or any agreement or arrangement with respect to or resolutions providing for, any Organic Change; or

(xix) any change, condition, occurrence, circumstance or other event that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect on Redbox.

SECTION 3.09. Intellectual Property .

(a) **Redbox Intellectual Property** . Except for commercial off-the-shelf software licensed or sub-licensed by Redbox as the licensee and except to the extent Redbox as licensor has licensed the Redbox IP to third parties under licenses listed on **Schedule 3.09(b)** , Redbox (i) owns free and clear of all Liens (other than Permitted Liens) or (ii) has the right to use all Intellectual Property that is used in the Redbox Business as conducted at the Closing Date (such Intellectual Property hereinafter referred to as the " Redbox IP "). **Schedule 3.09(a)** lists all registered Redbox IP and applications to register Redbox IP, in each case that are owned by Redbox.

(b) **License Agreements** . **Schedule 3.09(b)** lists all license agreements, other than license agreements for commercial off-the-shelf software licensed or sub-licensed by Redbox, under which Redbox has licensed any portion of the Redbox IP from others and all license agreements under which Redbox has licensed Redbox IP to others. Neither the execution, delivery or performance of this Agreement nor the consummation of the transactions contemplated herein in accordance with their terms will: (i) constitute a breach of or default under any such license agreement; (ii) cause the forfeiture or termination of, or give rise to a right of forfeiture or termination of, any Redbox IP; or (iii) impair the right of Redbox to use any Redbox IP or portion thereof in the manner currently used by Redbox. Except as set forth on **Schedule 3.09(b)** , no royalties, honoraria, fees, or other payments are payable by Redbox to any Person by reason of the use, possession, sale, license or other exploitation of any Redbox IP or portion thereof in the manner currently used by Redbox, and none will become payable as a result of the consummation of the transactions contemplated by this Agreement.

(c) **No Infringement** . The Redbox IP (i) does not constitute a breach or default under any license agreement listed on **Schedule 3.09(b)** and (ii) to the Knowledge of Redbox, does not infringe or constitute a misappropriation of any Intellectual Property right of any Person. Except as set forth on **Schedule 3.09(c)** , to the Knowledge of Redbox, there is no currently pending or threatened claim or litigation against Redbox contesting the validity, ownership or right of Redbox to use or exploit any Redbox IP. Notwithstanding anything in this Section 3.09(c) to the contrary, this paragraph does not relate to the Intellectual Property rights of DVDPlay, Inc., a Delaware corporation (" DVDPlay "), which are separately covered in Section 3.09(d).

(d) **No Infringement of DVDPlay Patents.** The Redbox IP (i) does not and will not infringe or constitute a misappropriation of any currently existing or future claims that have a date of priority of November 1, 2005 or earlier and that are in any DVDPlay Patent and/or (ii) does not infringe or constitute a misappropriation of an Intellectual Property right of DVDPlay. For the purpose of this Section 3.09(d), " DVDPlay Patent " means a patent that issues or is granted from, is based on or claims priority to any publicly available patent application pending before the U.S. Patent & Trademark Office (" USPTO ") for which DVDPlay was, as of November 1, 2005, the assignee of record with respect to such application, according to the publicly available records in the USPTO on that date, and, in particular, U.S. Patent Application Ser. Nos. 09/903,444 and 09/578,631.

(e) **Confidentiality.** Redbox has taken commercially reasonable steps to protect, preserve and maintain the confidentiality of its confidential and proprietary information and data and confidential and proprietary information in its possession or custody. Without limiting the generality of the foregoing, Redbox has not disclosed in violation of any agreement with DVDPlay any confidential or proprietary information of DVDPlay (including DVDPlay's human-readable version of computer software code) to any Person other than an employee or consultant to Redbox under a written nondisclosure agreement.

(f) **Agreements with Consultants and Contractors.** Each consultant and contractor of Redbox (other than employees of McDonald's Corporation) involved in the development of Intellectual Property for Redbox has executed and delivered to Redbox a services agreement providing for the assignment of all right, title and interest that such consultant or contractor may have or may hereafter acquire in or to such Intellectual Property.

SECTION 3.10. Litigation . Except as set forth on **Schedule 3.10** , there are no claims, suits, actions, proceedings, arbitrations, administrative notices, administrative actions or investigations (each, a " Proceeding ") pending or, to the Knowledge of Redbox, threatened, against or affecting Redbox, and no judgments, decrees, injunctions, rules, stipulations or orders outstanding against or applicable to Redbox or against or applicable to any of its properties or businesses.

SECTION 3.11. Compliance with Laws; Authorizations . The Redbox Business has been conducted and is currently being conducted in compliance with all applicable Laws. All Authorizations required by Redbox to conduct the Redbox Business have been obtained, and all Authorizations required by Redbox to conduct the Redbox Business as now conducted are valid and in full force and effect. Redbox is in compliance with the terms and requirements of all such Authorizations. Redbox has not received any written notice or other written communication from or on behalf of any Governmental Entity regarding (a) any prior, pending, threatened or possible revocation, withdrawal, suspension, termination or modification of, or the imposition of any conditions with respect to, any Authorization; (b) any violation of any Law by Redbox; (c) any charge, complaint, Proceeding or review by any Governmental Entity with respect to the Redbox Business; or (d) any other limitations on the conduct of the Redbox Business.

SECTION 3.12. Contracts . Except for the Transaction Agreements and those agreements set forth on **Schedule 3.12** (the " Material Contracts "), Redbox is not a party to any material contracts or agreements, written or oral, with any other Persons. Each of the Material Contracts is a valid, binding and enforceable obligation of Redbox and, to the Knowledge of Redbox, the other parties thereto, in accordance with its terms, subject to limitations imposed by applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting the rights and remedies of creditors generally and to general principles of equity. Redbox has performed all obligations imposed upon it under the Material Contracts, and there are not, under any of such Material Contracts, any defaults or events of default on the part of Redbox or, to the Knowledge of Redbox, any other party thereto, that would have a Material Adverse Effect on Redbox. To the Knowledge of Redbox, no party to any Material Contract intends to cancel, terminate or refuse to renew such Material Contract or to decline to exercise any option or right thereunder.

SECTION 3.13. Employees; Employee Benefit Plans .

(a) Redbox does not have, nor has it ever had, any employees.

(b) Redbox has never sponsored, maintained or contributed to (or been obligated to sponsor, maintain or contribute to), or been party to, any Benefit Plan, nor does it have (nor could it ever have) any Liability, direct or indirect, contingent or otherwise (including any Liability arising out of an indemnification, guarantee, hold harmless or similar agreement), under or with respect to any Benefit Plan that was adopted, established or in effect prior to the Closing Date.

SECTION 3.14. Books and Records . Redbox has made available to Coinstar, to the extent requested, copies of all books, files, archives, journals, ledgers, registers, logs, statements, databases, data, I-9 forms, legal records and other records and notations, in whatever form recorded, relating or pertaining to all financial and/or operational information that Redbox uses in, and that are necessary to, the conduct of the Redbox Business (collectively, the " Requested Books and Records "), whether in the possession of Redbox or a third party. The Requested Books and Records of Redbox are complete and accurate in all material respects.

SECTION 3.15. Financial Advisors and Brokers . No Person has acted, directly or indirectly, as a broker, finder or financial advisor of Redbox in connection with this Agreement or the transactions contemplated thereby, and no Person is entitled to receive any broker's, finder's or similar fee or commission in respect thereof based in any way on any agreement, arrangement or understanding made by or on behalf of Redbox or any of its directors, officers, members or employees.

SECTION 3.16. Exemption from Registration . Assuming the representations and warranties of Coinstar set forth in Article V are true and correct, the offer and sale of the Interests made pursuant to this Agreement will be in compliance with the Securities Act and any applicable state securities Laws and will be exempt from the registration requirements of the Securities Act and state securities Laws.

SECTION 3.17. Taxes . All Tax obligations of Redbox with respect to its operation of the Redbox Business have been timely paid or are being contested in good faith, and, except as reflected in the Redbox Interim Balance Sheet, Redbox has no liability for any Tax obligations with respect to its operation of the Redbox Business and no interest or penalties have accrued or are accruing with respect thereto, whether state, county, local or otherwise, with respect to any periods prior to the Closing Date.

SECTION 3.18. Property .

(a) Set forth on **Schedule 3.18(a)** is a complete and accurate list of all real property leased, licensed or rented by Redbox for use in the operation of the Redbox Business in locations other than McDonald's restaurants (the " Real Property "). Redbox does not own fee title in any real property.

(b) Redbox has provided to Coinstar a complete and accurate list of all personal property owned, leased or rented by Redbox for use in the operation of the Redbox Business having, on an individual basis, a net book value in excess of $10,000 (the " Personal Property ").

(c) Redbox has delivered to Coinstar true and complete copies of all leases, subleases, rental agreements, contracts of sale, tenancies or licenses of any portion of the Real Property and the Personal Property. Except as set forth in **Schedule 3.18 (c)** (whether by item or by category), the Redbox Assets, including the Real Property and the Personal Property, include all property used in the conduct of the Redbox Business as presently conducted.

(d) Redbox has good leasehold title to all leased Real Property, subject to (i) Permitted Liens, (ii) easements, rights of way, and other similar encumbrances that do not affect the use of the properties or assets subject thereto or affected thereby, and (iii) such imperfections or irregularities of title or liens as do not affect the use of the properties or assets subject thereto or affected thereby, none of which impair or reduce the value or utility of the Real Property for use in the Redbox Business as presently conducted. Redbox does not sublease or sublicense to any third party any Real Property.

(e) To the Knowledge of Redbox, there are no applicable adverse zoning, building or land use codes or rules, ordinances, regulations or other restrictions relating to zoning or land use that currently or may prospectively prevent, or cause the imposition of material fines or penalties as the result of, the use of all or any portion of the Real Property for the conduct thereon of the Redbox Business as presently conducted. Redbox has received all necessary approvals with regard to occupancy and maintenance of the Real Property. Except as specifically set forth in **Schedule 3.18(e)** , Redbox has no knowledge of any physical defect in the Real Property.

(f) Each lease or license of any portion of the Real Property, and each lease, license, rental agreement, contract of sale or other agreement to which Personal Property is subject, is a valid, binding and enforceable obligation of Redbox and, to the Knowledge of Redbox, the other parties thereto. Redbox has performed all obligations imposed on it

thereunder, and neither Redbox nor, to the Knowledge of Redbox, any other party thereto is in default thereunder in any material respect, nor is there any event that with notice or lapse of time, or both, would constitute a default thereunder by Redbox or, to the Knowledge of Redbox, any other party thereto. To the Knowledge of Redbox, no party to any such lease, license, rental agreement, contract of sale or other agreement intends to cancel, terminate or refuse to renew the same or to exercise or decline to exercise any option or other right thereunder. No Real Property or Personal Property is subject to any lease, license, contract of sale or other agreement that could reasonably be expected to have a Material Adverse Effect on the Redbox Business.

SECTION 3.19. Equipment. The DVD Kiosks owned by Redbox are in good operating condition and repair, subject to normal wear and tear, and are adequate for the conduct of the Redbox Business.

SECTION 3.20. Environmental Matters. Redbox is and has been in compliance with all applicable Environmental Laws in the conduct of the Redbox Business and the operation and ownership of the Redbox Assets. Redbox has not received any written notice from any Governmental Entity that is reasonably expected to give rise to any liability to Redbox with respect to any violation of any Environmental Law or with respect to any Remedial Action required under any Environmental Law.

SECTION 3.21. Working Capital. As of the Closing Date, Redbox has assets classified as "current assets" in accordance with GAAP equal to all liabilities classified as "current liabilities" in accordance with GAAP; provided, however, that to the extent Redbox has incurred, but not paid, as of the Closing Date, current liabilities to acquire and install DVD Kiosks, such current liabilities shall not be taken into account for purposes of determining Redbox's working capital as of the Closing Date. Notwithstanding anything in this Section 3.21 to the contrary, Ventures shall be required to make the minimum $18,000,000 capital contribution, which is referenced in Section 3.22, to Redbox prior to the Closing Date.

SECTION 3.22. Ventures' Capital Contribution. Prior to the Closing Date, Ventures has contributed to Redbox a combination of cash, advertising and/or other assets with a minimum value of $18,000,000. Such capital contributions consisted of (i) not less than 750 DVD Kiosks (the "Contributed Machines") valued at their acquisition costs plus installation costs incurred and paid by Ventures or its Affiliates; (ii) all leasehold improvements completed or to be completed for the primary purpose of enabling the installation of the Contributed Machines, valued at actual cost incurred and paid by Ventures or its Affiliates; provided, however, that such leasehold improvements shall remain intact at all McDonald's restaurants after the Contributed Machines have been removed from such locations; and (iii) third-party advertising costs incurred and paid through the Closing Date by McDonald's USA or its franchisees or Affiliates to support the launch of the DVD Kiosks in the Test Markets. Ventures has delivered to Coinstar a statement of its prior capital contributions to Redbox, certified by its Chief Investment Officer, confirming that such Capital Contributions have been made to Redbox prior to the Closing Date. However, as long as Ventures has made such minimum capital contribution (including the contribution of at least 750 DVD Kiosks) to Redbox, Redbox may have certain additional Liabilities associated with the installation of the Contributed Machines, or the purchase of additional DVD Kiosks, and such Liabilities shall not be treated as current

liabilities for purposes of Section 3.21 and Ventures shall have no obligation to pay, directly or indirectly, such Liabilities.

SECTION 3.23. Contribution Agreements . With respect to each of the Contribution Agreements, as of the Closing Date:

(a) (i) Redbox has received all right, title and interest in the assets that were to be contributed to it under that Contribution Agreement (in each case, the " Contributed Assets "), (ii) all filings, registrations, applications and notices to or with Governmental Entities necessary to transfer such interest to Redbox have been duly and properly made, and (iii) there are no approvals or consents from either third parties or Governmental Entities (other than those previously obtained and currently in effect) required or necessary to make such transfers effective and binding upon the affected parties;

(b) None of the contributing parties has claimed to retain an interest in any of the Contributed Assets, or in any way contested Redbox's right, title and interest to the Contributed Assets;

(c) As relates to the First and Second Contribution Agreements, McDonald's Corporation has not retained, nor does it claim to retain, any assets related to the Redbox Business, other than the "Excluded Assets" identified in the First Contribution Agreement;

(d) As relates to the GAM Contribution Agreement, Redbox did not assume any of the Liabilities of GAM; however, to the extent that Redbox might have any Liabilities as a successor in interest to GAM's business, Ventures shall be responsible for such Liabilities except to the extent that they are reflected in the Redbox Interim Balance Sheet; and

(e) As relates to the First and Second Contribution Agreement, Redbox did not assume, and is not responsible for, any of the Liabilities of McDonald's Corporation, except for the liabilities referenced in the First Contribution Agreement (the " Assumed Obligations "). Such Assumed Obligations have either been paid prior to the Closing Date or are reflected in the Redbox Interim Balance Sheet, and, in either event, are obligations incurred by McDonald's Corporation in the ordinary course of conducting the Redbox Business prior to the contribution of assets to, and the assumption of Liabilities by, Redbox under the First Contribution Agreement.

SECTION 3.24. Termination of Agreements . Except for the Transaction Agreements and the Share Purchase Agreement, all contracts, agreements and arrangements between Redbox, on the one hand, and Ventures, McDonald's USA, McDonald's Corporation and any of their respective Affiliates, on the other hand, have been terminated.

SECTION 3.25. No Employee Disputes . Inasmuch as Redbox has not had any employees prior to the Closing Date, to the Knowledge of Redbox, there are no disputes or disciplinary actions pending or threatened between Redbox and any current or prospective employee. Redbox has no management, employment or other contracts for employment or executive services with any employees.

SECTION 3.26. Absence of Illegal Payments. Neither Redbox nor any director, officer, agent, employee or other person acting on behalf of Redbox has used any of Redbox's funds for contributions, payments, gifts or entertainment to any person, or made any expenditures relating to political activity to any government official or other person, in violation of applicable Law. Furthermore, neither Redbox nor any director, officer, agent, employee or other person acting on behalf of Redbox has accepted or received, to the Knowledge of Redbox, any contribution, payments, gifts or expenditures in connection with the operation of the Redbox Business in violation of applicable Law.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF VENTURES

Ventures hereby represents and warrants to, and agrees with, Coinstar that, as of the Closing Date:

SECTION 4.01. Organization and Qualification. Ventures is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware and has all limited liability company power and authority to own or lease and operate its properties and assets and to conduct its business as it is currently being conducted.

SECTION 4.02. Authorization of Agreements.

(a) Ventures has all necessary power and authority to execute, deliver and perform its obligations under the Transaction Agreements to which it is a party. The execution, delivery and performance of the Transaction Agreements to which it is a party, and the consummation by Ventures of the transactions contemplated thereby, have been duly authorized by all necessary action on the part of Ventures.

(b) The Transaction Agreements to which it is a party have been duly executed and delivered by Ventures, and each such agreement constitutes a legal, valid and binding obligation of Ventures, enforceable against Ventures in accordance with its terms, subject to limitations imposed by applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting the rights and remedies of creditors generally and to general principles of equity.

SECTION 4.03. Consents; No Conflicts.

(a) No Authorization from, or registration, declaration or filing with, any Governmental Entity is required to be made or obtained by Ventures in connection with the execution, delivery and performance of the Transaction Agreements to which Ventures is a party and the consummation of the transactions contemplated thereby.

(b) The execution and delivery of the Transaction Agreements to which Ventures is a party does not, and the performance of the obligations set forth therein and the consummation of the transactions contemplated thereby will not, (i) violate or conflict with any

term, condition or provision of the organizational documents of Ventures; (ii) conflict with, contravene or result in a breach or violation of any of the terms or provisions of, or constitute a default (with or without notice or the passage of time or both) under, or result in or give rise to a right of termination, cancellation, acceleration or modification of any right or obligation under, or require any consent, waiver or approval under, any note, bond, debt instrument, indenture, mortgage, deed of trust, lease, loan agreement, joint venture agreement, development agreement, contract, license or any other agreement, instrument or obligation to which Ventures is a party or by which Ventures, or any of its properties, is bound; or (iii) violate or conflict in any material respect with any Law applicable to Ventures or its business.

SECTION 4.04. Financial Advisors and Brokers. No Person has acted, directly or indirectly, as a broker, finder or financial advisor of Ventures in connection with this Agreement or the transactions contemplated thereby, and no Person is entitled to receive any broker's, finder's or similar fee or commission in respect thereof based in any way on any agreement, arrangement or understanding made by or on behalf of Ventures or any of its directors, officers, members or employees.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF COINSTAR

Coinstar hereby represents and warrants to, and agrees with, Redbox and Ventures that, as of the Closing Date:

SECTION 5.01. Organization and Qualification of Coinstar. Coinstar is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware and has all corporate power and authority to own or lease and operate its properties and assets and to conduct its business as it is currently being conducted.

SECTION 5.02. Authorization of Agreements.

(a) Coinstar has all necessary power and authority to execute, deliver and perform its obligations under the Transaction Agreements to which it is a party. The execution, delivery and performance of the Transaction Agreements, and the consummation by Coinstar of the transactions contemplated thereby, have been duly authorized by all necessary action on the part of Coinstar, including any approval of shareholders or the board of directors or similar governing body of Coinstar.

(b) Each of the Transaction Agreements to which it is a party has been duly executed and delivered by Coinstar, and each such agreement constitutes a legal, valid and binding obligation of Coinstar, enforceable against Coinstar in accordance with its terms, subject to limitations imposed by applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting the rights and remedies of creditors generally and to general principles of equity.

SECTION 5.03. Consents; No Conflict .

(a) No Authorization from, or registration, declaration or filing with, any Governmental Entity is required to be made or obtained by Coinstar in connection with the execution, delivery and performance of any of the Transaction Agreements to which Coinstar is a party and the consummation of the transactions contemplated thereby.

(b) The execution and delivery of each of the Transaction Agreements to which Coinstar is a party does not, and the performance of the obligations set forth therein and the consummation of the transactions contemplated thereby will not, (i) violate or conflict with any term, condition or provision of the organizational documents of Coinstar; (ii) conflict with, contravene or result in a breach or violation of any of the terms or provisions of, or constitute a default (with or without notice or the passage of time or both) under, or result in or give rise to a right of termination, cancellation, acceleration or modification of any right or obligation under, or require any consent, waiver or approval under, any note, bond, debt instrument, indenture, mortgage, deed of trust, lease, loan agreement, joint venture agreement, development agreement, contract, license or any other agreement, instrument or obligation to which Coinstar is a party or by which Coinstar, or any property of Coinstar, is bound or otherwise affected; or (iii) violate or conflict with any Law applicable to Coinstar or its business.

SECTION 5.04. Ownership of Interests; Purpose of Investment . The Interests constitute an equity investment and Coinstar is acquiring the Interests pursuant to this Agreement for its own account solely for the purpose of investment and not with a view to, or for sale in connection with, any distribution thereof in violation of the Securities Act. Coinstar acknowledges that the Interests have not been registered under the Securities Act and may be sold or disposed of in the absence of such registration only pursuant to an exemption from the registration requirements of the Securities Act.

SECTION 5.05. Investor Status . Coinstar represents and warrants that it is an "accredited investor" within the meaning of Regulation D. By reason of its business and financial experience, sophistication and knowledge, Coinstar has such knowledge and experience in financial and business matters that it is capable of evaluating the risks and merits of the investment made pursuant to this Agreement. Coinstar confirms that it is able (a) to bear the economic risk of this investment, (b) to hold the Interests for an indefinite period of time, and (c) to bear a complete loss of its investment. Coinstar represents that it has sufficient liquid assets so that the illiquidity associated with this investment will not cause any undue financial difficulties or affect its ability to provide for its current needs and possible financial contingencies.

SECTION 5.06. Restricted Securities . Coinstar understands that the Interests are characterized as "restricted securities" under the Securities Act inasmuch as they are being acquired from Redbox in a transaction not involving a public offering and that under the Securities Act such securities may be resold without registration only in certain limited circumstances. In this connection, Coinstar represents that it is familiar with Rule 144 promulgated under the Securities Act, as presently in effect, and understands the resale limitations imposed thereby and by the Securities Act.

SECTION 5.07. Access to Information . In order to conduct its own independent investigation, review and analysis of the business, operations, financial condition, assets and Liabilities of Redbox, Coinstar has been given access to all requested information about Redbox, has received physical delivery of all documents that Coinstar has requested, and has had adequate opportunity to ask questions of, and receive answers from, Representatives of Redbox concerning the business, operations, financial condition, assets and Liabilities of Redbox and other matters relevant to its investment in the Class A Interests. In entering into this Agreement, Coinstar acknowledges that it has relied solely upon the aforementioned investigation, review and analysis and not on any factual representations of Ventures, Redbox or any of their respective Representatives (except the specific representations and warranties set forth in Articles III and IV of this Agreement).

SECTION 5.08. Financial Advisors and Brokers . No Person has acted, directly or indirectly, as a broker, finder or financial advisor of Coinstar or any of its Affiliates in connection with this Agreement or the transactions contemplated thereby, and no Person is entitled to receive any broker's, finder's or similar fee or commission in respect thereof based in any way on any agreement, arrangement or understanding made by or on behalf of Coinstar or any of its Affiliates, directors, officers, shareholders or employees.

SECTION 5.09. DVDXpress Investment . Coinstar has entered into a Credit Agreement dated as of August 5, 2005 with Video Vending New York, Inc. (d/b/a DVDXpress) (" DVDXpress " and such agreement, the " DVDXpress Credit Agreement ") pursuant to which Coinstar has loaned, or will loan, DVDXpress up to $4,500,000 and that contemplates that DVDXpress shall negotiate, and cause DVDXpress' Principal Shareholders (as defined in the DVDXpress Credit Agreement) to negotiate, in good faith, to enter into an option agreement with Coinstar pursuant to which Coinstar will have the option to acquire DVDXpress or its assets, whether by stock purchase, asset purchase, merger or otherwise (the " DVDXpress Option "). The DVDXpress Credit Agreement is the valid and binding obligation of Coinstar enforceable against Coinstar in accordance with its terms, subject to limitations imposed by applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting the rights and remedies of creditors generally and to general principles of equity. Coinstar (a) has delivered to Redbox and Ventures complete and correct copies, with the exception of the redacted sections as noted therein (including the redaction of all of the terms and conditions which the parties have agreed to in connection with the DVDXpress Option), of the DVDXpress Credit Agreement, as amended to date and which as so delivered are in full force and effect, and (b) shall keep Redbox and Ventures reasonably informed as to the material terms of any agreement entered into by Coinstar with respect to the DVDXpress Option. Coinstar may assign its rights (including with respect to the DVDXpress Option) or participations under the DVDXpress Credit Agreement to Redbox without the consent of DVDXpress. The DVDXpress Option may be exercised by Coinstar or its assignee without the payment of any equity securities of Coinstar or any of its Affiliates.

ARTICLE VI

COVENANTS

SECTION 6.01. Taking of Necessary Action . After the date hereof, each Party shall, and shall use its reasonable best efforts to cause any of its Affiliates to, in addition to any other obligations they may assume pursuant to the Transaction Agreements, cooperate with and provide to[the other Party such assistance as that Party may reasonably request with respect to the transactions contemplated by this Agreement.

SECTION 6.02. Confidentiality . Except as agreed with Redbox, Coinstar shall, and shall cause all of its Affiliates to, keep strictly confidential, and not divulge, all Proprietary Information and implement all measures necessary to maintain such confidentiality. Coinstar shall only provide Proprietary Information to those Affiliates of Coinstar and its advisors, lawyers and accountants on a need-to-know basis. Notwithstanding anything herein to the contrary, Coinstar (and each Representative of Coinstar) may (a) consult with any tax advisor regarding the tax treatment or tax structure of the transactions contemplated by this Agreement and (b) disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions and other tax analysis) that are provided to Coinstar relating to such tax treatment or tax structure; provided , however , that clause (b) shall not apply until the earliest of (i) the date of the public announcement of discussions relating to the transactions contemplated by this Agreement, (ii) the date of the public announcement of the transactions contemplated by this Agreement, or (iii) the date of the execution of this Agreement. For this purpose, "tax structure" is limited to any facts relevant to the tax treatment of the transactions contemplated by this Agreement, and does not include information relating to the identity of the Parties.

SECTION 6.03. Publicity . Ventures and Coinstar shall use their reasonable best efforts to draft a joint press release with respect to this Agreement, the Transaction Agreements and the transactions contemplated hereby or thereby; provided , however , that if Ventures and Coinstar do not agree on such a joint press release, Ventures and Coinstar shall seek the approval of the other Party before issuing any press release or otherwise making any public statements with respect to this Agreement, the Transaction Agreements or the transactions contemplated hereby or thereby and shall not issue any such press release or make any such public statement prior to such approval (which may not be unreasonably withheld, conditioned or delayed), except as may be required by Law. Prior to making any public disclosure required by applicable Law, each of Ventures and Coinstar shall consult with the other Party as to the content and timing of such public announcement or press release.

SECTION 6.04. Legend . Coinstar agrees to the placement on (a) certificates representing the Interests and (b) any certificate issued at any time in exchange or substitution for any certificate bearing such legend, the legend required by the Redbox LLC Agreement (the " Private Placement Legend "). The Private Placement Legend shall be removed from a certificate representing the Interests if the securities represented thereby are sold pursuant to an effective registration statement under the Securities Act, or there is delivered to Redbox such satisfactory evidence, which may include an opinion of independent counsel, as reasonably may be requested by Redbox, to confirm that neither such legend nor the restrictions on transfer set forth therein are required to ensure that transfers of such securities shall not violate the registration and prospectus delivery requirements of the Securities Act.

SECTION 6.05. No Obligations of the McDonald's System .

(a) McDonald's Corporation and the restaurant system supported by franchisees, suppliers, McDonald's Corporation, McDonald's USA and other related entities (the " McDonald's System ") involve a vast array of activities, assets, relationships, participants and constituents, including the suppliers and owner-operators of McDonald's restaurants.

(b) Except as otherwise provided in the Redbox LLC Agreement and the other Transaction Agreements to which they are parties, Ventures, McDonald's Corporation and McDonald's USA shall have no obligation or fiduciary duty:

(i) to cause any particular business activity of or relating to the McDonald's System to be conducted through Redbox;

(ii) to cause any other strategic investments to be made by such parties through Redbox;

(iii) to conduct any automated vending activities through Redbox;

(iv) to share with Redbox any business opportunity presented to it;

(v) to expand its automated vending activities; or

(vi) to require or encourage other participants in the McDonald's System to participate in or take any action in respect of any activities of Redbox.

(c) It will be left to the sole and absolute discretion of Ventures, McDonald's Corporation and McDonald's USA to decide how it conducts its business activities (subject to the restrictions and obligations noted in Section 6.05(b)), and such decisions may be made by such entity based upon its business judgment, taking into account its overall business interest, the overall best interests of the McDonald's System, and the need to comply with applicable legal requirements, and such entity shall not be accountable to Redbox for the impact of such business decisions upon the Redbox Business. In exercising such discretion, neither Ventures nor any Affiliate of Ventures shall be liable to any Person for claims that Ventures or such Affiliate of Ventures breached a fiduciary duty or any other duty to Redbox or any member of Redbox, including Coinstar, GAM and GARB.

SECTION 6.06. DVDXpress Option .

(a) Subject to the terms of this Section 6.06(a), at any time during the first year after the Closing Date, Ventures shall have the right, in its sole discretion, to cause Redbox to exercise an option to require Coinstar to assign to Redbox all (but not less than all) of Coinstar's rights in respect to the DVDXpress Credit Agreement and the DVDXpress Option (collectively the " DVDXpress Rights "). If Redbox wishes to exercise the option in its favor to acquire the DVDXpress Rights, it shall do so by giving to Coinstar written notice of the exercise of such option at any time within the first year after the Closing Date, and Coinstar shall, no later than ten (10) Business Days after the receipt of such written notice, provide to Redbox a computation of the Closing Option Payment and shall promptly thereafter assign to Redbox the DVDXpress Rights, by means of an assignment agreement reasonably acceptable to the parties. At the closing of such transaction, Redbox shall transfer, in immediately available funds by wire transfer as directed pursuant to instructions delivered by Coinstar to Redbox no later than two (2) Business Days prior to the scheduled closing, all principal, accrued but unpaid interest, and other amounts due and payable to Coinstar by DVDXpress under the DVDXpress Credit Agreement,

including amounts due and payable to Coinstar by DVDXpress from any future financings provided by Coinstar to DVDXpress in accordance with this Section 6.06 after the date hereof but prior to the date Redbox exercises its option to acquire the DVDXpress Rights (the " Closing Option Payment "); provided that any rights Coinstar obtained in such future financings are also assigned to Redbox and constitute part of the DVDXpress Rights. Furthermore, Redbox shall indemnify and hold harmless Coinstar from any and all obligations and Liabilities that may arise under the DVDXpress Rights assigned to Redbox, to the extent that such obligations arise after the assignment of the DVDXpress Rights to Redbox and were not caused by acts or omissions of Coinstar prior to the date of such assignment. Should Redbox choose to exercise the DVDXpress Option, it shall be responsible for all payments in connection therewith and shall pay all such amounts in cash and shall have no right to request or to cause Coinstar to issue any equity securities to pay the Closing Option Payment, even though the DVDXpress Option otherwise permits the use of such equity securities in partial satisfaction of the amounts due to DVDXpress under the DVDXpress Credit Agreement. Coinstar covenants that it will not exercise the DVDXpress Option at any time during the first year after the Closing Date.

(b) If Redbox does not exercise the option granted to it under Section 6.06(a) during the first year after the Closing Date, and as long as Ventures and its Affiliates continue to hold 25% or more of the outstanding Class A Interests, Coinstar shall be subject to the following two limitations that will remain in full force and effect from the one (1) year anniversary of the Closing Date through the three (3) year anniversary of the Closing Date and thereafter lapse:

(i) Ventures shall have the right, in its sole discretion, to cause Redbox to exercise an option to purchase from Coinstar either (A) the DVDXpress Option or (B) if the DVDXpress Option has previously been exercised by Coinstar, the business acquired and operated by Coinstar pursuant to the DVDXpress Option, in either case at the fair market value of such business net (if the DVDXpress Option has not yet been exercised) of the amount of any payment required to exercise the DVDXpress Option (the " DVDXpress Transferred Rights ") determined as of the estimated closing date of the transaction. Redbox may exercise this option by giving written notice thereof to Coinstar at any time after the one (1) year anniversary of the Closing Date but before the three (3) year anniversary of the Closing Date. After written notice of the option has been given, Coinstar and Ventures shall confer in good faith to determine the fair market value of the DVDXpress Transferred Rights and, if they can not reach such agreement within thirty (30) days of commencement of the discussions, the determination of such fair market value shall be established by an independent investment banking firm mutually acceptable to Coinstar and Ventures. If they cannot reach agreement on the identity of such an investment banker within ten (10) days of the commencement of discussions regarding the selection of such independent investment banker, Ventures and Coinstar shall, within five (5) days of the expiration of such ten day period, each select an independent investment banker and the independent investment bankers so selected shall promptly select a third independent banker to be the party responsible for determining the fair market value of the DVDXpress Transferred Rights. Such independent investment banker shall determine the fair market value of the DVDXpress Transferred Rights as soon as is reasonably practicable after its selection, and its determination of value shall be final and binding upon Coinstar and Redbox; provided that Redbox may, in its sole discretion, revoke its exercise of the option to purchase the DVDXpress Transferred Rights within five (5) Business Days of receipt of fair market value of the DVDXpress Transferred Rights (provided that Redbox may not revoke its exercise of such option less than thirty (30) days prior to the expiration of the DVDXpress Option); provided further that if Redbox decides to revoke its exercise of the option to purchase the DVDXpress Transferred Rights pursuant to the foregoing provisio, (x) Ventures shall pay all out-of-pocket costs incurred by either Redbox or Coinstar in connection with the determination of fair market value of the DVDXpress Transferred Rights (including the costs of the independent investment banking firm) and (y) Redbox shall no longer have a right to exercise any option to purchase the DVDXpress Transferred Rights. The sale of the DVDXpress Transferred Rights shall occur no later than sixty (60) days after the later of (1) the determination of their fair market value (whether

such valuation is established through negotiations between Coinstar and Redbox or by an independent investment banking firm) or (2) the receipt of all necessary approvals from any Governmental Entities, and at closing Redbox shall pay to Coinstar the purchase price in full in cash or through the wire transfer of immediately available funds.

(ii) If, at any time between the one (1) year and (3) year anniversaries of the Closing Date, Coinstar wishes to sell its interest in the DVDXpress Option or, if the DVDXpress Option has previously been exercised, the business acquired through Coinstar's exercise of the DVDXpress Option, prior to offering such interest to any third party, Coinstar shall first offer to sell such interest to Redbox, on the terms outlined by Coinstar in a written offer letter (the " DVDXpress Offer Terms "), and Ventures shall have a period of twenty (20) days after the receipt of the DVDXpress Offer Terms to cause, in its sole discretion, Redbox to exercise the right to purchase such assets in accordance with the DVDXpress Offer Terms. If the DVDXpress Offer Terms are accepted within such period, Redbox and Coinstar shall promptly proceed to close the sale in accordance with the DVDXpress Offer Terms. If, on the other hand, Redbox fails to accept in writing, or fails to respond, to the DVDXpress Offer Terms within such twenty (20) day period, Coinstar shall thereafter be free to dispose of such assets to any third party of its choice, at any time within the next twelve (12) months, as long as the transaction is on terms and conditions no more favorable to the purchaser than those set forth in the DVDXpress Offer Terms. Should, however, the DVDXpress Offer Terms be changed in any material respect, making the offer more favorable to the prospective purchaser, the assets to be sold must first be reoffered to Redbox, on the new terms and conditions, in which event Redbox shall have a period of not less than twenty (20) days after the receipt of such revised offer to decide whether or not to accept it. Failure to respond during such period shall be deemed a rejection of the offer.

(c) Nothing in this Section 6.06 or elsewhere in this Agreement shall preclude Coinstar from exercising any of the following rights, and should it do so it will have no Liability to Ventures or any of its Affiliates for taking such actions:

(i) Coinstar may, from and after the date hereof, advance monies to DVDXpress under the DVDXpress Credit Agreement, in accordance with its terms, provided that Coinstar provides sixty (60) days' prior written notice to Redbox and Ventures of any such advance;

(ii) Coinstar may amend, modify or otherwise adjust the terms of the DVDXpress Credit Agreement, without the consent of Redbox, Ventures or any of their respective Affiliates; provided , however , that Coinstar shall provide sixty (60) days' prior written notice to Redbox and Ventures of any such amendment, modification or adjustment; and provided further that any such additional or modified rights shall, for all purposes, be regarded as DVDXpress Rights that Redbox will have an option to acquire under this Section 6.06; and

(iii) Neither Coinstar nor any Affiliate thereof shall, without the prior written consent of Redbox, enter into any agreement to: (A) provide field services to DVDXpress during the first year after the Closing Date, (B) provide marketing services to DVDXpress for a period of two years after the Closing Date, and (C) provide any other material services to

DVDXpress to support its business activities, pursuant to formal business arrangements, for a period of two years after the Closing Date; provided, however, that nothing contained in this Section 6.06(d)(iii) is intended to preclude Coinstar from conferring with, and giving advice to DVDXpress, for purposes of protecting its interest in DVDXpress, whether such interest is as a creditor and/or equity holder. Furthermore, if, after the one (1) year period set forth in clause (A) above and until the two (2) year anniversary of the Closing Date, Coinstar provides any field services to DVDXpress, Coinstar agrees to make such services available to Redbox on similar terms (if and to the extent feasible) if so requested by Redbox, except if Coinstar exercises the DVDXpress Option, at which point this sentence will be null and void.

(iv) The restrictions set forth in this Section 6.06(c) shall lapse at such time as Ventures ceases to hold at least a twenty-five percent (25%) of the outstanding Class A Interests in the Company.

(d) Notwithstanding anything in this Section 6.06 to the contrary, Coinstar may take, at any time, such actions as it considers necessary, advisable, or appropriate to protect the DVDXpress Rights (as such rights might be subsequently amended or modified) to ensure the enforceability of the DVDXpress Rights, to collect amounts that may be due and owing to Coinstar, and to preserve its rights under the DVDXpress Credit Agreement, whether or not such actions seem appropriate or advisable to Redbox, Ventures or their respective Affiliates.

(e) Notwithstanding anything in this Section 6.06 to the contrary, Coinstar shall not be restricted from exercising any rights as a creditor that it may have under the DVDXpress Credit Agreement if DVDXpress should breach or otherwise be in default under the terms thereunder.

(f) If, at any time, Ventures wishes to cause Redbox to exercise the rights granted to it under this Section 6.06, Ventures shall so advise Coinstar, and Coinstar shall cause its representatives on the Redbox Board of Managers to vote in favor of such action, including to (i) exercise the option to acquire the DVDXpress Rights set forth in Section 6.06(a), (ii) consummate the acquisition of DVDXpress or DVDXpress' assets pursuant to the DVDXpress Option, and (iii) accept Coinstar's offer of providing services to Redbox pursuant to section 6.06(c).

SECTION 6.07. Coinstar Option .

(a) Ventures grants to Coinstar a one-time option (the " Coinstar Option ") to purchase that portion of the Class A Interests owned by Ventures sufficient to bring Coinstar's ownership interest of Class A Interests up to fifty-one percent (51%) of the outstanding Class A Interests. The purchase price of any Class A Interests purchased by Coinstar (the " Transferred Class A Interests ") shall be based on a valuation of all of the Class A Interests of Redbox equal to $138,000,000. In addition, Ventures shall be entitled to receive when distributed by Redbox any accrued but unpaid Percentage Preferred Returns (as defined in the Redbox LLC Agreement) owing on the Transferred Class A Interests to the extent that such Percentage Preferred Returns have accrued on such interest as of the transfer date but are not distributed by Redbox until after such transfer date. Coinstar shall be entitled to receive all distributions in respect to the Percentage Preferred Returns on the Transferred Class A Interest that accrue after the transfer date. Furthermore, Redbox, Coinstar and Ventures agree that, in the event Class A Interests are transferred to Coinstar under the Coinstar Option, Redbox shall distribute directly to Ventures its share of accrued but unpaid Percentage Preferred Returns on the Transferred Class A Interests before distributing to Coinstar its share of the accrued but unpaid Percentage Preferred Returns on the Transferred Class A Interests, and Redbox will receive instructions to such effect in the event of a transfer. Coinstar will have no liability for Redbox's obligation to distribute to Ventures its shares of any accrued but unpaid Percentage

Preferred Returns on the Transferred Class A Interests, and Ventures will look solely to Redbox for such payments; provided , however , that if Redbox pays to Coinstar such Percentage Preferred Returns accruing on the Transferred Class A Interests after the date of sale that should have been paid to Ventures, Coinstar agrees to remit such Percentage Preferred Returns to Ventures. Coinstar may exercise this option at any time between the two-year anniversary and the three-year anniversary of the Closing Date (the " Option Period ") as long as written notice of Coinstar's election to exercise such option is given within the Option Period. The closing of such transaction shall occur no later than twenty (20) Business Days after such written notice is given, and at the closing (i) Coinstar shall transfer, in immediately available funds by wire transfer as directed pursuant to instructions delivered by Ventures to Coinstar no later than two (2) Business Days prior to the scheduled closing, the amount of the purchase price set forth above, (ii) Ventures shall transfer its right, title and interest to such Transferred Class A Interests free and clear of all Liens, and (iii) Ventures and Coinstar shall cooperate to effectuate such transfer in accordance with the terms of the Redbox LLC Agreement. For the sake of clarity, if Coinstar exercises the Coinstar Option and purchases that portion of the Class A Interests owned by Ventures sufficient to bring the percent of Class A Interests owned by Coinstar to fifty-one percent (51%) of the outstanding Class A Interests, thereafter Ventures or Coinstar, as the case may be, may trigger the buy-sell provisions of Section 8.06 of the Redbox LLC Agreement.

(b) If Coinstar becomes the holder of fifty-one percent (51%) or more of the outstanding Class A Interests as a result of the exercise of the Coinstar Option, Redbox's Board of Managers will automatically expand from four to five members, and Coinstar shall have the right to appoint three of those members, and Ventures shall have the right to appoint two of those members, in each case as provided in Section 6.01(d) of the Redbox LLC Agreement.

(c) Any Person (other than Coinstar), including any Affiliate of Ventures, that acquires Ventures' Class A Interests in Redbox shall hold such Class A Interests subject to the Coinstar Option.

SECTION 6.08. Redbox Agreements . Each of Ventures and Coinstar shall use their reasonable best efforts to cause Redbox to comply, in all material respects, with the terms of the Transaction Agreements and the Share Purchase Agreement.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01. Fees and Expenses . Each of the Parties shall bear its own costs and expenses (including fees and disbursements of its counsel, accountants and other experts) incurred by it in connection with the preparation, negotiation, execution, delivery and performance of the Transaction Agreements, each of the other documents and instruments executed in connection with or contemplated thereby and the consummation of the transactions contemplated thereby.

SECTION 7.02. Survival of Representations, Warranties, Covenants and Agreements . Each representation or warranty in this Agreement shall survive the Closing until

the two-year anniversary of the Closing Date; provided , however , that each representation and warranty made in Section 3.09(d) shall survive the Closing Date until and including June 1, 2009, each representation and warranty made in Sections 3.01, 3.02, 3.03(b)(i), 3.04, 4.01, 4.02, 4.03(b)(i), 5.01, 5.02 and 5.03(b)(i) shall survive indefinitely, and each representation and warranty made in Section 3.13 and Section 3.17 shall survive until sixty (60) days after termination of the applicable statute of limitations period. The covenants or agreements contained in Article VI shall survive the Closing until the date on which the covenant or agreement has been performed in full. Any claim for indemnification under this Article VII arising out of the inaccuracy or breach of any representation, warranty, covenant or agreement must be made prior to the end of the period for which such representation, warranty, covenant or agreement survives, as set forth in this Section 7.02.

SECTION 7.03. Indemnification .

(a) Ventures hereby agrees to indemnify and hold harmless Coinstar and its officers and directors (collectively, the " Indemnified Coinstar Parties ") against any and all losses, penalties, judgments, suits or Liabilities (less the proceeds of any insurance collectible but including reasonable attorneys' fees and disbursements) (collectively, " Losses "), and each such Indemnified Coinstar Party shall have no liability to any of Redbox, Ventures, GAM or their respective Affiliates, managers, directors, officers, agents, employees, owners, creditors or security holders for any Losses incurred by, imposed upon or asserted against any of the Indemnified Coinstar Parties as a result of, relating to, arising out of or based upon (i) the breach of any representation or warranty made in Articles III or IV of this Agreement (each of which shall be deemed to have been made for the benefit of Coinstar); (ii) the breach of any agreement or covenant made by Ventures in this Agreement (each of which shall be deemed to have been made for the benefit of Coinstar); or (iii) Taxes imposed on Redbox in respect of its income, business, property or operations, or for which Redbox may otherwise be liable, in each case for any taxable period or portion thereof ending prior to or on the Closing Date; provided , however , that the Indemnified Coinstar Parties shall not be indemnified from and against any Losses pursuant to this Section 7.03(a) to the extent that the Indemnified Coinstar Parties have been indemnified from and against any Losses pursuant to Section 7.03(a) that in the aggregate exceed the amount of the Total Cash Consideration. For purposes of this Section 7.03(a), with respect to any taxable period that begins on or before the Closing Date and ends after the Closing Date, Taxes shall be allocated between the two portions of the taxable period based on a closing of the books method, except that Taxes imposed on a per diem basis shall be allocated based on the number of days in each portion.

(b) Coinstar hereby agrees to indemnify and hold harmless Redbox, Ventures, each of their respective Affiliates and each of their respective officers and directors (collectively, the " Indemnified Redbox Parties ") against any and all Losses, and each such Indemnified Redbox Party shall have no liability to Coinstar or its directors, officers, owners, members, agents, employees, creditors or security holders for any Losses, arising out of or based upon the breach of any representation or warranty, agreement or covenant made by Coinstar in this Agreement.

(c) Promptly after receipt by an indemnified party under this Section 7.03 of notice of any pending or threatened Proceeding in respect of which indemnification may be sought hereunder (a " Claim "), such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 7.03, notify the indemnifying party in writing of such Claim within thirty (30) days of the date of such Claim; provided that the failure to so notify the indemnifying party shall not relieve it of any liability that it may have to any indemnified party hereunder, except to the extent that the indemnifying party is prejudiced thereby. To the extent that the Claim relates to a third-party claim, the indemnifying party shall assume the defense of any such Claim. The indemnifying party shall employ counsel of its choice, and the indemnifying party shall bear the reasonable fees, costs and expenses of such counsel. It is understood, however, that except if the use of one counsel to represent the indemnified parties would present such counsel with a conflict of interest, the indemnifying party shall, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of only one separate firm of attorneys (in addition to any local counsel) at any time for all such indemnified parties. Any indemnifying party may, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any Claim as long as such settlement, compromise or consent (i) provides for monetary damages that are paid in full by the indemnifying party or includes the release of each indemnified party from all liability arising out of such Claim, and (ii) there is no finding or admission or any violation of Law or any violation of the rights of any Person and there is no effect on any other Claims that may be made against the indemnified parties. Otherwise, any settlement, compromise or consent to any Claim requires the prior written consent (which consent shall not be unreasonably withheld, delayed or conditioned) of the indemnified parties.

(d) No indemnified party seeking indemnification under this Agreement shall, without the indemnifying party's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed), settle, compromise or consent to the entry of any judgment in any Claim.

(e) Except for claims based on fraud, the indemnification rights contained in this Section 7.03 shall be the sole and exclusive remedy in respect of claims made after the Closing with respect to all Losses arising out of or relating to this Agreement and no other remedies shall be available (including for any breaches of representations, warranties, covenants and agreements contained in this Agreement).

(f) Without limiting any other right to remedies hereunder, any of the Parties to whom payments under this Section 7.03 are owed shall have the right in its sole discretion to recover Losses by directing Redbox to pay to the indemnified party any amounts Redbox owes to the indemnifying party or its Affiliates pursuant to the Redbox LLC Agreement or any other agreement between Redbox and any of the indemnifying party or its Affiliates to satisfy the obligations of the indemnifying parties hereunder.

(g) All payments under this Section 7.03 shall be treated as an adjustment to the purchase price for all applicable Tax, except as may be otherwise required by Law.

(h) Notwithstanding the aforementioned, no party shall be indemnified from and against any Losses pursuant to Section 7.03 of this Agreement until either of the following tests (whichever occurs first) is satisfied: (i) the aggregate amount of the $37,500 Loss Claims equals or exceeds $500,000 or (ii) the aggregate amount of all Losses (irrespective of whether they constitute $37,500 Loss Claims) equals or exceeds $1,000,000 (in either case, the " Threshold Amount "). If either of the Threshold Amounts is exceeded, the indemnifying party is required to pay the amount of all Losses sustained by the indemnified parties and not just Losses in excess of the applicable Threshold Amount. For purposes of this paragraph, " $37,500 Loss Claims " means, with respect to any indemnified party, any Claim brought by such indemnified party for indemnification under this Agreement that involves Losses equal to or in excess of $37,500; provided , however , that (i) where a number of Claims arise out of the same facts, events or circumstances, or (ii) where a number of Claims arise out of the same subject matter and the Claims are attributable to more than sporadic and totally unrelated instances of noncompliance (for example, where the breaching Party is guilty of a pattern of non-compliance, such as failing to get a number of the permits from Governmental Entities required to conduct business in the manner then conducted), such Claims shall be considered a single "Claim" and all Losses related thereto shall be aggregated.

(i) If Coinstar brings a Claim against Ventures for breach of Section 3.09 of this Agreement and Ventures has received or does receive indemnification (including any payments, property or Class A Interests) for a breach of Section 4.08 of the Share Purchase Agreement, dated as of July 1, 2005, among Ventures, the Company, GAM, GARB and the former GAM shareholders (the " Share Purchase Agreement "), from GAM, GARB and the former GAM shareholders pursuant to the terms of the Share Purchase Agreement or the LLC Interest Pledge Agreement, dated as of July 1, 2005, by and between Ventures and GARB, arising out of the same facts and circumstances as Coinstar's Claim against Ventures (and if the Threshold Amount set forth in Section 7.03(h) has been exceeded), Ventures shall remit to Coinstar the percentage of such recovery equal to the number of Class A Interests owned by Coinstar divided by the number of Class A Interests owned by Ventures and Coinstar (the " Pro Rata Share ") less the Pro Rata Share of all reasonable out-of-pocket expenses incurred by Ventures in pursuing such recovery (provided that such remittance shall not exceed the amount of such Claim brought by Coinstar against Ventures). Any recovery under the Share Purchase Agreement that is transferred to Coinstar pursuant to this Section 7.03(i) shall reduce the value of the Claim brought by Coinstar against Ventures in an amount equal to the value of such recovery and shall be included when calculating the maximum value of Losses for which Coinstar may seek indemnification under Section 7.03(a). The rights reserved to Coinstar in this Section 7.03(i) shall not, however, preclude or restrict Coinstar from actively pursuing Claims against Ventures for, and recovering its Losses as a result of, the breach of Section 3.09. Furthermore, if Coinstar has recovered all amounts to which it is entitled under this Agreement for Losses resulting from such breaches, and subsequent to that date, Ventures receives a recovery under the Share Purchase Agreement, Coinstar shall not participate in such recovery, provided , however , that if the recovery includes the receipt of Class A Interests, Coinstar may elect, by giving notice to Ventures, to receive its Pro Rata Share of such Class A Interests in exchange for payment to Ventures of the fair value of such Class A Interests, computed as of the

date that such Class A Interests are transferred to Coinstar. Such fair value shall be established through good faith negotiations between Coinstar and Ventures.

(j) If Coinstar brings a Claim against Ventures for breach of any representation or warranty contained in Section 3.09, Ventures shall have the right, at its sole option, to resolve any such Claim caused by such breach in any manner whatsoever, including by challenging the validity of the Intellectual Property rights of any Person or causing Redbox to enter into a license agreement with any Person for any Intellectual Property rights or to design around the Intellectual Property rights of any Person; provided that if any such action taken imposes any Liabilities upon, or results in the incurrence of any expenses by, Redbox, Ventures shall reimburse Redbox for such Liabilities. If approval of the Redbox Board of Managers is required to undertake any such actions, Coinstar shall cause any representatives on the Redbox Board of Managers appointed by Coinstar to vote in favor of any actions approved by the representatives on the Redbox Board of Managers appointed by Ventures.

SECTION 7.04. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given, if delivered personally, by facsimile or sent by first class mail, postage prepaid, as follows:

(i) If to Redbox, to:

Redbox Automated Retail, LLC
One Tower Lane, Suite 1200
Oakbrook Terrace, Illinois 60181
Attention: Gregg Kaplan
Facsimile: (630) 756-8888

(ii) If to Ventures, to:

McDonald's Ventures, LLC
1 Parkview Plaza, Suite 640
Oakbrook Terrace, Illinois 60181
Attention: Chris Catalano, Vice President and Chief Investment Officer
Facsimile: (630) 623-4014

With copies to:

McDonald's Ventures, LLC
2915 Jorie Boulevard, Dept. #060
Oak Brook, Illinois 60523
Attention: Cathy Griffin, Vice President, General Counsel and Secretary
Facsimile: (630) 623-8154

and

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
Attention: Janet Fisher, Esq.
Facsimile: (212) 225-3999

(iii) If to Coinstar, to:

Coinstar, Inc.
1800 114 th Ave. SE
P.O. Box 91258
Bellevue, WA 98009-9258
Attention: Peter Rowan
Facsimile: (425) 943-8030

With copies to:

Coinstar, Inc.
1800 114th Ave. SE
P.O. Box 91258
Bellevue, WA 98009-9258
Attention: Chief Financial Officer
Facsimile: (425) 943-8030

Coinstar, Inc.
1800 114th Ave. SE
P.O. Box 91258
Bellevue, WA 98009-9258
Attention: General Counsel
Facsimile: (425) 943-8030

and

Perkins Coie, LLP
1201 Third Avenue, 48 th Floor
Seattle, WA 98101-3099
Attention: George M. Beal, Esq.
Facsimile: (206) 359-9519

All notices shall be effective when received.

SECTION 7.05. Entire Agreement; Amendment . This Agreement and the other Transaction Agreements set forth the entire agreement among the Parties and any of their

Affiliates with respect to the transactions contemplated by this Agreement and supersedes the letter agreement, dated July 25, 2005, between Redbox, Ventures and Coinstar, which is terminated in its entirety hereby. Any provision of this Agreement may only be amended, modified or supplemented in whole or in part at any time by an agreement in writing among the Parties. No failure on the part of any Party to exercise, and no delay in exercising, any right shall operate as a waiver thereof, nor shall any single or partial exercise by either Party of any right preclude any other or future exercise thereof or the exercise of any other right.

SECTION 7.06. Counterparts . This Agreement may be executed in two or more counterparts, each of which shall be deemed to constitute an original, but all of which together shall constitute one and the same document.

SECTION 7.07. Governing Law; Venue; Service of Process; Waiver of Jury Trial . This Agreement shall be governed by, and interpreted in accordance with, the Laws of the State of Delaware applicable to contracts made and to be performed in that State without reference to its conflict of laws rules. Any Proceeding seeking to enforce any provision of, or based on any rights arising out of, this Agreement may only be brought against any of the parties in the courts of the State of Delaware, or, if it has or can acquire jurisdiction, in the United States District Court for Delaware, and each of the Parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such Proceeding and waives any objection to venue laid therein. Each of the Parties irrevocably consents to the service of process in any Proceeding hereunder by the mailing of copies thereof by registered or certified airmail, postage prepaid, to the address specified in Section 7.04. The foregoing shall not limit the rights of any Party to serve process in any other manner permitted by applicable Law or to obtain execution of judgment in any other jurisdiction. The Parties agree to waive any and all rights that they may have to a jury trial with respect to disputes arising out of this Agreement.

SECTION 7.08. Successors and Assigns . Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, each Party's successors and assigns. Neither this Agreement nor any rights hereunder shall be assignable by any Party without the prior written consent of the other Parties.

SECTION 7.09. No Third-Party Beneficiaries . This Agreement is for the sole benefit of the Parties and their respective successors and permitted assigns and nothing herein, express or implied, is intended or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, except that the provisions of Section 7.03 shall inure to the benefit of and be enforceable by each Indemnified Coinstar Party and Indemnified Redbox Party.

SECTION 7.10. Transfer and Other Taxes . All transfer, documentary, sales, use, stamp, registration and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement, if any, shall be borne by Redbox when due, and Redbox shall (a) file all necessary Tax Returns and other documentation with respect to any such transfer, documentary, sales, use, stamp, registration and other Taxes and fees and (b) provide Ventures and Coinstar with a duly certified or authenticated copy of an original receipt for the payment of each such Tax or fee and of each such Tax Return or other document filed.

SECTION 7.11. Severability . In case any one or more of the provisions contained in this Agreement is adjudged to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, except to the extent necessary to avoid an unjust or inequitable result.

IN WITNESS WHEREOF, this Agreement has been executed by each Party or on behalf of each Party by its respective duly authorized officer, all as of the date first above written.

REDBOX AUTOMATED RETAIL, LLC

By: /s/ Chris Catalano
Name: Chris Catalano
Title: Vice President and Chief Investment Officer

MCDONALD'S VENTURES, LLC

By: /s/ Chris Catalano
Name: Chris Catalano
Title: Vice President and Chief Investment Officer

COINSTAR, INC.

By: /s/ David W. Cole
Name: David W. Cole
Title: Chief Executive Officer

Exhibit 99.1

MEDIA CONTACTS:

Marci G. Maule
Coinstar, Inc.
(425) 943-8277
mmaule@coinstar.com

Lisa Howard
McDonald's Corporation
630-623-5044
lisa.howard@mcd.com

FOR IMMEDIATE RELEASE

COINSTAR AND MCDONALD'S VENTURES TO DELIVER MARKET-LEADING DVD RENTAL KIOSKS

Coinstar To Enter High Growth DVD Market With $20 Million Redbox Investment

BELLEVUE, Wash. – Nov. 17, 2005 – Coinstar, Inc. (NASDAQ: CSTR) today announced an agreement with McDonald's Ventures, LLC, a wholly-owned subsidiary of McDonald's Corporation (NYSE: MCD), to invest in Redbox Automated Retail, LLC. Coinstar will invest $20 million in cash and will own a 47.3 percent share in Redbox. Redbox is the leading renter of DVDs through self-service kiosks with about 800 locations in the United States, including McDonald's restaurants and supermarket locations. The Redbox business has been in operation since 2002 and currently is a majority-owned subsidiary of McDonald's Ventures, LLC.

Redbox has more than three years of planning, customer testing, refinement and in-market operations experience. Redbox is capitalizing on the growth of the home video market that is expected to reach $42 billion by 2014 and the DVD self-service kiosk market segment with growth potential in excess of $3 billion by 2009.

Current U.S. locations where the Redbox service is available have delivered strong results with over three million DVDs rented over the last five months. Consumers have enthusiastically embraced the $1 per night price point, convenient return options and easy self-service operation of the kiosk.

"We are very excited about teaming up with McDonald's Ventures on this business," said Peter Rowan, vice president of new business innovation at Coinstar, Inc. "Redbox is a proven product that has already gained consumer and retailer acceptance in the United States. Further, Redbox is a great addition to our 4 th Wall™ product portfolio that helps retailers increase traffic and profit at the front of their stores – with no labor or cost requirements."

"Customers tell us they like having movies on our menu," said Chris Catalano, chief investment officer of McDonald's Ventures, LLC. "Partnering with Coinstar is an exciting next step that will enable the expansion of Redbox to more locations. Coinstar has had tremendous success building a complex network of self service kiosks. They understand the complexities and nuances of this business, and have excelled in delivering high profit per square foot services to retail customers."

Today, Redbox is available in select McDonald's restaurants and supermarkets across the country (a complete list of locations is available at www.redbox.com). Coinstar, Inc. will now serve as the exclusive sales agent for Redbox in the U.S. for supermarkets, mass merchandisers, drug stores and wholesale clubs.

Coinstar expects to invest $20 million in cash at the close of the transaction and another $12 million after one year if certain growth objectives are achieved. After the second year, Coinstar has a 12-month option to obtain additional shares acquiring a majority voting interest in the business. This transaction is expected to close in the next 30 days. Closing the transaction is contingent upon certain customary conditions including securing certain contractual consents.

Redbox Automated Retail, LLC, will continue to operate independently out of its headquarters in Oakbrook Terrace, Ill. The company will be managed by a four-person board of directors in which two positions will be appointed by Coinstar, Inc. and two will be appointed by McDonald's Ventures, LLC.

Conference Call

Coinstar, Inc. announced that a conference call to discuss the proposed investment in Redbox Automated Retail, LLC will be broadcast live over the Internet today, Thursday, November 17, 2005, at 4:30 p.m. Eastern Time. The Webcast will be hosted at the "About Us – Investor Relations" section of Coinstar's Web site at www.coinstar.com.

About Coinstar, Inc.

Coinstar, Inc. (Nasdaq: CSTR) is a multi-national company offering a range of 4 th Wall™ solutions for the retailers' front of store consisting of self-service coin counting, electronic payment solutions, and entertainment services. The company's products and services can be found at more than 57,000 retail locations including supermarkets, drug stores, mass merchants, convenience stores, and restaurants. For more information, visit www.coinstar.com.

About McDonald's Ventures, LLC

McDonald's Ventures, LLC is a wholly-owned subsidiary of McDonald's Corporation. McDonald's Ventures manages the investments McDonald's holds in future oriented growth initiatives including Chipotle, Boston Market, Redbox and Pret A Manger.

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This press release contains forward-looking statements relating to Coinstar, Inc.'s anticipated growth and future operating results that involve a number of risks and uncertainties. These are forward-looking statements for purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. The words "believe," "expect," "intend," "anticipate," "goals," variations of such words, and similar expressions identify forward-looking statements, but their absence does not mean that the statement is not forward-looking. The forward-looking statements are not guarantees of future performance and actual results may vary materially from the results expressed or implied in such statements. Differences may result from actions taken by Coinstar, Inc., as well as from risks and uncertainties beyond Coinstar, Inc.'s control. Factors that could cause or contribute to such differences include, but are not limited to, the effect of the purchase of interest in Redbox Automated Retail, LLC, the ability to bring new and repeat customers to Coinstar ® machines, the ability to obtain new agreements with potential retail partners for the installation of Coinstar units and the retention of the current agreements with our existing retail partners on terms that are not materially adverse to the company, additional potential competitors, legal or governmental regulatory action and uncertainties relating to the ultimate success of new business initiatives (including prepaid services), including but not limited to the ability to attract customers and reach agreements with retail and other partners. The foregoing list of risks and uncertainties is illustrative, but by no means exhaustive. For more information on factors that may affect future performance, please review the most recent reports filed with the Securities and Exchange Commission by Coinstar, Inc. These forward-looking statements reflect Coinstar, Inc.'s expectations as of November 17, 2005. Coinstar, Inc. undertakes no obligation to update the information provided herein.

EXHIBIT E

TO THE

§1.132 DECLARATION OF JENS HORSTMANN

U.S. Serial No. 09/578,631

AMonline.com: Printable Article

Updated: November 27th, 2006 12:55 PM PDT

Redbox Signs Five More Supermarkets For Its Automated DVD Rental Machines

Automated DVD vending kiosk provider Redbox has agreed to install its units in stores operated by Albertsons LLC, Chevy Chase, Hannaford Supermarkets, Martin's, and Strack N Van Til, according to Progressive Grocer, a supermarket trade magazine.

Click here for the full story.

Editor's Insight: The Redbox machine has been a big hit with retailers. These DVD rental machines and other self serve kiosks will make the general public more familiar with cashless vending, which will create new growth opportunities for the full line vending industry.

Vending operators need to invest in more card readers in order to take advantage of changing consumer habits. Cashless vending installations are moving at a snail's pace.

The recent National Automatic Merchandising Association National Expo in Orlando, Fla. included a keynote presentation on a consumer survey about perceptions of vending. A key finding is that consumers are generally unaware of technological improvements in vending. Another important finding is that a larger percentage of consumers will use credit cards to pay for vending purchases if given the opportunity.
11-27-06 by Elliot Maras

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automated dvd rental

REDBOX™ SURPASSES 38 MILLION RENTALS AND 2,900 LOCATIONS, BECOMES FIFTH LARGEST DVD RENTAL COMPANY NATIONWIDE

Redbox *Installs More Than 400 Locations in March*

For Immediate Release: April 11, 2007

Oakbrook Terrace, Ill. – *Redbox*, the nation's leader in kiosk-based DVD rental, recently surpassed 38 million rentals and 2,900 locations nationwide. Launching only 12 locations in 2003, *redbox* now joins the top five elite DVD rental companies in the country*. Offering an unmatched $1 per night price point, online rentals and convenient rent-and-return anywhere policy, *redbox* continues to experience unprecedented industry growth. During the month of April 2007, *redbox* will install more than 700 new locations, including select grocery stores nationwide and additional McDonald's® restaurants.

"We are extremely proud to join the nation's top five DVD renters and reinforce our leadership position in the automated DVD rental category," said Gregg Kaplan, chief executive officer, *redbox*. "*Redbox*'s proven technology and unmatched production timeline have allowed us to expand at an incredible rate and introduce more consumers to the *redbox* experience." By the end of June 2007, *redbox* will have doubled its January 1, 2007 market presence to more than 4,000 locations nationwide.

Bo Anderson, President of the Entertainment Merchants Association, welcomes *redbox* among the industry leaders. "The Entertainment Merchants Association is proud to have *redbox* as an active member, and congratulates them on growing to a market position among the top five U.S. rental specialists," said Anderson.

In addition to *redbox*'s expanding grocery footprint, including recent agreements with SUPERVALU and Albertson's LLC, *redbox* is now appearing in select new McDonald's markets throughout the United States. In March 2007, *redbox* premiered in nearly 200 McDonald's restaurants throughout Colorado Springs, Colo., Jacksonville, Fla., Oklahoma City and San Antonio. By June 2007, *redbox* also will appear in select McDonald's restaurants throughout Austin, Texas, Eugene, Ore., Indianapolis, Kansas City, Mo., Louisville, Ky., Nashville, Tenn. and Portland, Ore. *Redbox*'s rapid expansion has strengthened the company's leadership position in all sectors of the DVD rental kiosk industry, including supermarkets, grocery stores and restaurants.

Each fully automated *redbox* kiosk holds more than 500 DVDs, representing over 70 of the newest movie releases, with new titles available every Tuesday. Consumers simply use a touch screen to select their favorite movies, swipe a valid credit or debit card and go. Customers can keep the DVD for as long as they'd like for $1 per night plus tax.

- more -

After 25 nights, rental charges cease and the DVD is the customer's to keep. For added convenience, customers can visit www.redbox.com to choose their favorite title online and pick it up immediately at the *redbox* location of their choice. The value and convenience of *redbox* have attracted more than 5 million unique customers to date.

About *Redbox*

Redbox Automated Retail, LLC is the nation's leader in automated DVD rental services. *Redbox* continues to revolutionize the DVD rental industry with kiosks featured in the nation's leading grocery stores, select McDonald's restaurants and other locations nationwide. In September 2006, *redbox* launched online rentals – offering guaranteed and immediate access to new release titles with no membership or mailman required. *Redbox* Automated Retail, LLC is owned by Coinstar, Inc., McDonald's Ventures, LLC, a wholly-owned subsidiary of McDonald's Corporation, and private investors. More information about *redbox* can be found at www.redbox.com.

###

***Redbox* Media Contact:**
Kristin Zanini, JSH&A Public Relations, +1 (630) 932 9316 (U.S.)

*Source: Entertainment Merchants Association

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June 25, 2007 10:05 AM Eastern Daylight Time

Redbox™ Surpasses 4,000 Locations Nationwide, Strengthens Industry Leadership Position

Redbox *Leads DVD Rental Kiosk Industry in Both the Grocery and Restaurant Channels*

OAKBROOK TERRACE, Ill.--(BUSINESS WIRE)--*Redbox*, the nation's leader in automated DVD rental, recently surpassed 4,000 locations nationwide, reinforcing the company's dominance in both grocery and restaurant locations. Featuring fully automated DVD rental kiosks in more than 2,600 grocery stores nationwide, *redbox* now offers approximately 30 percent more grocery locations than its closest competitor. With kiosks also available in more than 1,400 McDonald's restaurants, *redbox* has doubled its January 1, 2007 market presence.

Redbox is now among the top four DVD rental companies in the country by revenue, including kiosk providers, brick-and-mortar retailers and subscription-based companies.

"As consumers continue to embrace *redbox*'s unmatched value and convenience, we expect our growth to continue at this aggressive pace through 2007 and beyond," said Gregg Kaplan, chief executive officer, *redbox*.

Each fully automated *redbox* kiosk holds more than 500 DVDs, representing 90-100 of the newest movie releases, with new titles available every Tuesday. Consumers simply use a touch screen to select their favorite movies, swipe a valid credit or debit card and go. Customers can keep the DVD for as long as they'd like for $1 per night plus tax. After 25 nights, rental charges cease and the DVD is the customer's to keep. For added convenience, customers can visit www.redbox.com to choose their favorite title online and pick it up immediately at the *redbox* location of their choice.

About *Redbox*

Redbox Automated Retail, LLC is the nation's leader in automated DVD rental services. *Redbox* continues to revolutionize the DVD rental industry with kiosks featured in the nation's leading grocery stores, select McDonald's restaurants and other locations nationwide. In September 2006, *redbox* launched online rentals – offering guaranteed and immediate access to new release titles with no membership or mailman required. *Redbox* Automated Retail, LLC is owned by Coinstar, Inc., McDonald's Ventures, LLC, a wholly-owned subsidiary of McDonald's Corporation, and private investors. More information about *redbox* can be found at www.redbox.com.

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July 31, 2007 10:00 AM Eastern Daylight Time

Entertainment Merchants Association Names *Redbox,* DVD Rental Kiosk Provider, "Specialist Retailer of the Year"

Quick, Convenient and Expanding, Redbox *Surpasses 50 Million DVD Rentals*

Home Media Expo 2007

OAKBROOK TERRACE, Ill.--(BUSINESS WIRE)--*Redbox*, the nation's leader in kiosk-based DVD rental, was named the "2007 Specialist Retailer of the Year" by the Entertainment Merchants Association (EMA) at the 2007 Home Media Expo held recently in Las Vegas. The EMA's Retailer of the Year honor recognizes outstanding contributions and performance in the DVD and video game industries. This marks the first time an automated retailer received the coveted Retailer of the Year honor.

"*Redbox* has leveraged the latest technology to deliver a convenient, customer-focused DVD retail experience," said Bo Andersen, President, EMA. "In just 18 square feet of retail space, *redbox* maximizes the consumer experience and we are proud to honor *redbox* with the '2007 Specialist Retailer of the Year' award." The award was accepted by Gregg Kaplan, chief executive officer, *redbox*, and Mitch Lowe, chief operating officer, *redbox*.

"We are extremely proud to accept this award and reinforce our leadership position in the DVD rental industry," said Gregg Kaplan, chief executive officer, *redbox*. "*Redbox*'s proven technology and unmatched value and convenience have allowed us to expand at an incredible rate and introduce more consumers to the *redbox* experience." By the end of August 2007, *redbox*'s market presence will exceed 4,800 locations nationwide.

The EMA award presentation followed *redbox*'s renting of its 50 millionth DVD. This milestone was achieved on July 4, 2007 with the rental of "Bridge to Terabithia" at a *redbox* location in Conroe, Texas. Offering an unmatched $1 per night price point, online rentals and convenient rent-and-return anywhere policy, *redbox* continues to expand its consumer base and market presence. During the month of August 2007, *redbox* will install more than 470 new kiosks, at select grocery and drug retailers and McDonald's restaurants.

Each fully automated *redbox* kiosk holds more than 500 DVDs, representing 70-100 of the newest movie releases, with new titles available every Tuesday. Consumers simply use a touch screen to select their favorite movies, swipe a valid credit or debit card and go. Customers can keep the DVD for as long as they'd like for $1 per night plus tax. After 25 nights, rental charges cease and the DVD is the customer's to keep. For added convenience, customers can visit www.redbox.com to choose their favorite title online and pick it up immediately at the *redbox* location of their choice. The value and convenience of *redbox* have attracted more than 7 million unique customers to date.

About Entertainment Merchants Association

The Entertainment Merchants Association (EMA) is the not-for-profit international trade association

dedicated to advancing the interests of the $33 billion home entertainment industry. EMA represents approximately 600 companies throughout the United States, Canada, and other nations. Its members operate approximately 20,000 retail outlets in the U.S. that sell and/or rent DVDs and computer and console video games and digitally distributed versions of these products. Membership comprises the full spectrum of retailers (from single-store specialists to multi-line mass merchants, and both brick and mortar and online stores), distributors, the home video divisions of major and independent motion picture studios, and other related businesses that constitute and support the home entertainment industry. EMA was established in April 2006 through the merger of the Video Software Dealers Association (VSDA) and the Interactive Entertainment Merchants Association (IEMA).

About *Redbox*

Redbox Automated Retail, LLC is the nation's leader in automated DVD rental services. *Redbox* continues to revolutionize the DVD rental industry with kiosks featured in the nation's leading grocery stores, select McDonald's restaurants and other locations nationwide. In September 2006, *redbox* launched online rentals – offering guaranteed and immediate access to new release titles with no membership or mailman required. *Redbox* Automated Retail, LLC is owned by Coinstar, Inc., McDonald's Ventures, LLC, a wholly-owned subsidiary of McDonald's Corporation, and private investors. More information about *redbox* can be found at www.redbox.com.

Contacts

***Redbox* Media Contact:**
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